



OHIO AUDITOR OF STATE  
**KEITH FABER**





**FRANKLIN LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY  
JUNE 30, 2019**

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MUSKINGUM COUNTY  
JUNE 30, 2019**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Franklin Local School District  
Muskingum County  
360 Cedar Street  
P.O. Box 428  
Duncan Falls, Ohio 43734

To the Board of Education:

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

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Franklin Local School District, Muskingum County, Ohio (the School District), as of and for the year ended June 30, 2019, 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 accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

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

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the 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.

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**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Franklin Local School District, Muskingum County, Ohio, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Notes 20 and 23 to the financial statements, on June 30, 2019, the Franklin Local Community School (the Community School), the School District's discretely presented component unit, closed and operations and assets of the Community School were transferred to the School District. The School District agreed to assume all liabilities of the Community School. We did not modify our opinion regarding this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, and Schedules of Net Pension and Other Post-Employment Benefit Liabilities and Pension and Other Post-Employment Benefit Contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Supplementary and Other Information*

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2020, 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.



Keith Faber  
Auditor of State  
Columbus, Ohio

February 10, 2020



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**Franklin Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2019*  
Unaudited

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The discussion and analysis of the Franklin Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2019 are as follows:

- Net position of governmental activities increased \$4,643,726.
- General revenues accounted for \$24,607,649 in revenues or 83 percent of all revenues. Program specific revenues in the form of charges for services and sales, operating and capital grants, contributions, and interest accounted for \$5,197,056 or 17 percent of total revenues of \$29,804,705.
- The School District had \$25,203,511 in expenses related to governmental activities; only \$5,197,056 of these expenses were offset by program specific charges for services and sales, operating and capital grants, contributions, and interest. General revenues of \$24,607,649 were adequate to provide for these programs.
- The School District presented special items of \$42,532 representing the remaining cash balances that were transferred from the Franklin Local Community School as of June 30, 2019, due to the transfer of operations.

**Using this Annual Financial Report**

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

The Statement of Net Position and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column.

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***Reporting the School District as a Whole***

*Statement of Net Position and Statement of Activities*

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2019?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Position and the Statement of Activities, all of the School District's programs and services are reported as governmental activities including instruction, support services, operation of non-instructional services, bond service operations, and extracurricular activities.

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

*Fund Financial Statements*

The analysis of the School District's major fund begins on page 12. Fund financial reports provide detailed information about the School District's major fund. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's only major governmental fund is the General Fund.

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

***Proprietary Funds*** Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match. The School District's only fund of this type is the Self-Insurance Internal Service Fund. However, the activity of this fund is combined with the Governmental Activities on the entity wide financial statements.

***Fiduciary Funds*** Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. They are not reflected on the government-wide financial statements because the resources

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from those funds are not available to support the School District's programs. The accounting method used for fiduciary funds is much like that used for the proprietary funds.

**The School District as a Whole**

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2019 compared to 2018.

Table 1 - Net Position

	Governmental Activities		
	2019	2018	Change
<b>Assets</b>			
Current and Other Assets	\$27,268,527	\$24,397,315	\$2,871,212
Net OPEB Asset	1,344,943	0	1,344,943
Capital Assets	28,786,216	29,537,630	(751,414)
<b>Total Assets</b>	<b>57,399,686</b>	<b>53,934,945</b>	<b>3,464,741</b>
<b>Deferred Outflows of Resources</b>			
Deferred Charge on Refunding	139,229	160,761	(21,532)
Pension	5,981,986	7,603,558	(1,621,572)
OPEB	306,494	306,773	(279)
<b>Total Deferred Outflows of Resources</b>	<b>6,427,709</b>	<b>8,071,092</b>	<b>(1,643,383)</b>
<b>Liabilities</b>			
Current and Other Liabilities	3,644,536	3,570,757	73,779
Long Term Liabilities:			
Due Within One Year	189,207	624,573	(435,366)
Due in More Than One Year:			
Net Pension Liability	23,742,461	25,984,641	(2,242,180)
Net OPEB Liability	2,626,840	5,999,260	(3,372,420)
Other Amounts	3,539,949	3,747,917	(207,968)
<b>Total Liabilities</b>	<b>33,742,993</b>	<b>39,927,148</b>	<b>(6,184,155)</b>
<b>Deferred Inflows of Resources</b>			
Property Taxes	6,011,729	4,671,363	1,340,366
Pension	2,927,591	2,707,274	220,317
OPEB	2,682,577	881,473	1,801,104
<b>Total Deferred Inflows of Resources</b>	<b>11,621,897</b>	<b>8,260,110</b>	<b>3,361,787</b>
<b>Net Position</b>			
Net Investment in Capital Assets	27,144,572	26,962,045	182,527
Restricted	2,098,482	3,130,061	(1,031,579)
Unrestricted (Deficits)	(10,780,549)	(16,273,327)	5,492,778
<b>Total Net Position</b>	<b>\$18,462,505</b>	<b>\$13,818,779</b>	<b>\$4,643,726</b>

The net pension liability (NPL)/ net OPEB liability are two of the largest liabilities reported by the School District at June 30, 2019, and are reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" and GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed

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*Management's Discussion and Analysis*  
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below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and the net OPEB asset.

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

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

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

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

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

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

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Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

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

Total assets of governmental activities increased \$3,464,741. Current and other assets increased \$2,871,212 primarily due to an increase property taxes receivable. Property taxes receivable increased \$3,316,674 due to an increase in the amounts certified to be collected by the individual county auditors. Muskingum County, which provides the School District approximately 95 percent of tax base, had a property valuation reappraisal in 2018 which greatly increased property values. This increase was offset by a decrease in cash and cash equivalents of \$240,233, a decrease in intergovernmental receivable of \$94,751, and a decrease in due from component unit of \$93,670. The decrease in intergovernmental receivable is due to a lower amount of State Foundation Adjustments and due to the timing of receipts for the grants compared to the prior fiscal year. The decrease in due from component unit is due to the transfer of operations of the Franklin Local Community School at June 30, 2019. The School District also reflects an OPEB asset in the amount of \$1,344,943. See Note 15 for more information. Capital assets decreased \$751,414 as a result of current year depreciation exceeding additions. The decrease in deferred outflows of resources was due to a decrease in the difference between projected and actual earnings on investments related to the School District's net pension liability.

Total liabilities decreased \$6,184,155. Current and other liabilities increased \$73,779 primarily due to the increase in claims payable based on the actuarial figure provided for fiscal year 2019 compared to fiscal year 2018. Long-term liabilities decreased \$6,257,934 primarily due to a significant decrease in the net pension/OPEB liability. The net pension/OPEB liability decrease represents the School District's proportionate share of the STRS and SERS unfunded benefits. As indicated previously, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability. The other long-term liabilities decrease was due to the principal payments made during the year.

Table 2 shows the changes in net position for the fiscal year ended June 30, 2019, and comparisons to fiscal year 2018.

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Table 2 - Changes in Net Position

	Governmental Activities		
	2019	2018	Change
<b>Revenues</b>			
Program Revenues:			
Charges for Services and Sales	\$1,870,721	\$1,795,072	\$75,649
Operating Grants, Contributions and Interest	3,311,335	3,126,032	185,303
Capital Grants and Contributions	15,000	41,300	(26,300)
Total Program Revenues	<u>5,197,056</u>	<u>4,962,404</u>	<u>234,652</u>
General Revenues:			
Property Taxes	11,643,615	10,624,269	1,019,346
Grants and Entitlements	12,638,716	12,743,731	(105,015)
Investment Earnings	279,760	82,400	197,360
Miscellaneous	45,558	30,824	14,734
Total General Revenues	<u>24,607,649</u>	<u>23,481,224</u>	<u>1,126,425</u>
Total Revenues	<u>29,804,705</u>	<u>28,443,628</u>	<u>1,361,077</u>
<b>Program Expenses</b>			
Instruction:			
Regular	11,154,290	5,752,757	5,401,533
Special	2,652,633	1,641,506	1,011,127
Vocational	85,228	45,009	40,219
Intervention	188,832	44,190	144,642
Support Services:			
Pupils	904,685	441,348	463,337
Instructional Staff	727,477	563,042	164,435
Board of Education	136,739	125,511	11,228
Administration	1,744,784	905,101	839,683
Fiscal	541,378	475,252	66,126
Operation and Maintenance of Plant	2,953,673	2,432,542	521,131
Pupil Transportation	1,689,797	1,564,963	124,834
Central	138,429	123,149	15,280
Operation of Non-Instructional Services:			
Food Service Operations	1,341,598	1,298,768	42,830
Other	13,598	9,080	4,518
Extracurricular Activities	784,353	500,051	284,302
Interest and Fiscal Charges	146,017	121,946	24,071
Total Expenses	<u>25,203,511</u>	<u>16,044,215</u>	<u>9,159,296</u>
Special Items	42,532	0	42,532
Increase (Decrease) in Net Position	4,643,726	12,399,413	(7,755,687)
Net Position Beginning of Year	<u>13,818,779</u>	<u>1,419,366</u>	<u>12,399,413</u>
Net Position End of Year	<u>\$18,462,505</u>	<u>\$13,818,779</u>	<u>\$4,643,726</u>

Net position increased by \$4,643,726. Overall revenues reflect an increase of \$1,361,077 primarily due to an increase in property taxes in of \$1,019,346 due mainly to the 2018 property valuation reappraisal for Muskingum County. In fiscal year 2019, 39 percent of the School District's revenues were from property taxes, and 42 percent were from unrestricted grants and entitlements.

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*Management's Discussion and Analysis*  
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 Unaudited

The School District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. Inflation alone will not increase the amount of funds generated by a tax levy. Basically, the mills collected decreases as the property valuation increases thus generating about the same revenue.

Instruction comprises approximately 56 percent of governmental program expenses. Of the instructional expenses approximately 79 percent is for regular instruction, approximately 19 percent is for special instruction, and approximately 2 percent is for vocational instruction and student intervention services. Overall program expenses increased significantly over the prior year in the amount of \$9,159,296, most noticeably in regular instruction. The largest component of the increase in program expenses is primarily due to changes in assumptions and benefit terms related to pensions/OPEB.

The special items in the amount of \$42,532 represents the transfer of remaining assets from Franklin Local Community School as a result of the transfer of operations to the School District. Per the settlement agreement with the Ohio Department of Education, all remaining assets and liabilities at the time of closure, June 30, 2019, were to be transferred to Franklin Local School District. At the time of closure, there were no liabilities and the assets consisted of \$42,532 in cash. See Notes 20 and 23 for more information.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements.

Table 3 - Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2019	2019	2018	2018
<b>Program Expenses</b>				
Instruction:				
Regular	\$11,154,290	\$8,548,382	\$5,752,757	\$3,514,091
Special	2,652,633	1,561,536	1,641,506	468,595
Vocational	85,228	45,345	45,009	5,126
Intervention	188,832	185,253	44,190	40,364
Support Services:				
Pupils	904,685	894,040	441,348	441,348
Instructional Staff	727,477	661,544	563,042	512,756
Board of Education	136,739	136,739	125,511	125,511
Administration	1,744,784	1,744,784	905,101	905,101
Fiscal	541,378	541,378	475,252	475,252
Operation and Maintenance of Plant	2,953,673	2,953,673	2,432,542	2,432,542
Pupil Transportation	1,689,797	1,662,187	1,564,963	1,539,076
Central	138,429	131,229	123,149	114,149
Operation of Non-Instructional Services:				
Food Service Operations	1,341,598	261,106	1,298,768	159,778
Other	13,598	1,087	9,080	536
Extracurricular Activities	784,353	532,155	500,051	225,640
Interest and Fiscal Charges	146,017	146,017	121,946	121,946
<b>Total</b>	<b>\$25,203,511</b>	<b>\$20,006,455</b>	<b>\$16,044,215</b>	<b>\$11,081,811</b>



**Franklin Local School District, Ohio**  
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For fiscal year 2019, the dependence upon tax revenues and state subsidies for governmental activities reflects approximately 79 percent of expenses. For fiscal year 2018, 69 percent of expenses were supported through taxes and other general revenues. This increase in program expense is primarily due to changes in assumptions and benefit terms related to pensions/OPEB.

**The School District's Major Fund**

The School District's major fund (the General Fund) is accounted for using the modified accrual basis of accounting.

The General Fund had total revenues of \$25,478,860, expenditures of \$22,027,337, net other financing sources (uses) of (\$2,178,084), and special items of \$42,532 which resulted in an increase in fund balance of \$1,315,971. Total revenues increased by \$1,677,511 as a result of an increase in the amount available for real estate taxes due to a real estate reappraisal in Muskingum County.

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2019, the School District amended its General Fund budget as needed. The School District uses a building budget technique which is designed to control building budgets but provide flexibility for building management. Actual revenues for the fiscal year were larger than budgeted due to the increase in property taxes collected as a result of a property valuation reappraisal in Muskingum County. Spending in almost all categories was lower than budgeted appropriations. The School District's ending General Fund balance was \$6,092,315.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2019, the School District had \$28,786,216 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2019 balances compared to 2018.

Table 4 - Capital Assets, Net of Depreciation

	Governmental Activities	
	2019	2018
Land	\$1,360,613	\$1,122,451
Construction in Progress	0	429,229
Land Improvements	2,341,093	2,547,390
Buildings and Improvements	22,831,553	23,197,683
Furniture and Equipment	858,392	914,502
Vehicles	1,394,565	1,326,375
Totals	\$28,786,216	\$29,537,630

See Note 11 to the basic financial statements for more information on capital assets.

**Franklin Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2019*  
 Unaudited

**Debt**

At June 30, 2019, the School District had \$2,026,070 in bonds outstanding (including premiums and accretion).

Table 5 - Outstanding Debt, at Fiscal Year End

	Governmental Activities	
	2019	2018
2013 General Obligation Notes	\$0	\$114,860
2012 School Building Construction Refunding Bonds	2,026,070	2,085,713
2015 School Building Construction Refunding Bonds	0	450,000
Totals	\$2,026,070	\$2,650,573

See Note 16 to the basic financial statements for more information on debt. The net pension liability under GASB 68 and the net OPEB liability under GASB 75 are also reported as a long-term obligation that has been previously disclosed within the management's discussion and analysis.

**Economic Factors**

Over the past 20 years, the School District has remained in a stable financial position and has increased its cash balance carry-over. Approximately 95 percent of the School District is in Muskingum County and the remaining 5 percent is in Perry County. Muskingum County completed a property valuation reappraisal in calendar year 2018. The 2018 reappraisal resulted in a 20 percent increase in residential real estate property values and an 11 percent increase in agricultural property values. A natural gas distribution pipeline and compressor stations were constructed within the School District. An additional compressor station and a small portion of a new pipeline was constructed within the School District and completed in 2017 and 2018, respectively. The School District saw slight increases in open enrollment and overall enrollment was relatively flat in fiscal year 2019. The funding formula for fiscal year 2016, 2017, 2018, and 2019 resulted in no additional funding for the School District. The Board of Education and administration of the School District must maintain prudent financial management in order to preserve financial stability.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Scott Paul, Treasurer/CFO at Franklin Local School District, P.O. Box 428, Duncan Falls, Ohio 43734 or E-Mail at [scott.paul@franklinlocalschools.org](mailto:scott.paul@franklinlocalschools.org).

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**Franklin Local School District, Ohio**

*Statement of Net Position*

June 30, 2019

	Primary Government	Component Unit
	Governmental Activities	Franklin Local Community School
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$13,363,562	\$0
Cash in Segregated Accounts	334	0
Materials and Supplies Inventory	21,771	0
Inventory Held for Resale	13,054	0
Intergovernmental Receivable	676,080	0
Prepaid Items	117,755	0
Accrued Interest Receivable	22,532	0
Accounts Receivable	18,220	0
Property Taxes Receivable	13,035,219	0
Net OPEB Asset	1,344,943	0
Nondepreciable Capital Assets	1,360,613	0
Depreciable Capital Assets, Net	27,425,603	0
<i>Total Assets</i>	<u>57,399,686</u>	<u>0</u>
<b>Deferred Outflows of Resources</b>		
Deferred Charge on Refunding	139,229	0
Pension	5,981,986	0
OPEB	306,494	0
<i>Total Deferred Outflows of Resources</i>	<u>6,427,709</u>	<u>0</u>
<b>Liabilities</b>		
Accounts Payable	188,591	0
Accrued Wages and Benefits Payable	2,414,882	0
Matured Sick Leave Benefits Payable	46,493	0
Vacation Benefits Payable	65,497	0
Intergovernmental Payable	526,822	0
Accrued Interest Payable	23,502	0
Claims Payable	378,749	0
Long-Term Liabilities:		
Due Within One Year	189,207	0
Due In More Than One Year:		
Net Pension Liability (See Note 14)	23,742,461	0
Net OPEB Liability (See Note 15)	2,626,840	0
Other Amounts Due in More Than One Year	3,539,949	0
<i>Total Liabilities</i>	<u>33,742,993</u>	<u>0</u>
<b>Deferred Inflows of Resources</b>		
Property Taxes	6,011,729	0
Pension	2,927,591	0
OPEB	2,682,577	0
<i>Total Deferred Inflows of Resources</i>	<u>11,621,897</u>	<u>0</u>
<b>Net Position</b>		
Net Investment in Capital Assets	27,144,572	0
Restricted for:		
Classroom Facilities Maintenance	970,484	0
Debt Service	283,798	0
Capital Projects	622,687	0
Federal Grant Programs	171,319	0
District Managed Student Activities	49,634	0
Unclaimed Monies	560	0
Unrestricted (Deficit)	(10,780,549)	0
<i>Total Net Position</i>	<u>\$18,462,505</u>	<u>\$0</u>

See accompanying notes to the basic financial statements

**Franklin Local School District, Ohio**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2019

	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Primary Government	Component Unit
					Governmental Activities	Franklin Local Community School
<b>Governmental Activities</b>						
Instruction:						
Regular	\$11,154,290	\$1,318,672	\$1,272,236	\$15,000	(\$8,548,382)	\$0
Special	2,652,633	0	1,091,097	0	(1,561,536)	0
Vocational	85,228	0	39,883	0	(45,345)	0
Intervention	188,832	0	3,579	0	(185,253)	0
Support Services:						
Pupils	904,685	0	10,645	0	(894,040)	0
Instructional Staff	727,477	39,778	26,155	0	(661,544)	0
Board of Education	136,739	0	0	0	(136,739)	0
Administration	1,744,784	0	0	0	(1,744,784)	0
Fiscal	541,378	0	0	0	(541,378)	0
Operation and Maintenance of Plant	2,953,673	0	0	0	(2,953,673)	0
Pupil Transportation	1,689,797	0	27,610	0	(1,662,187)	0
Central	138,429	0	7,200	0	(131,229)	0
Operation of Non-Instructional Services:						
Food Service Operations	1,341,598	277,884	802,608	0	(261,106)	0
Other	13,598	0	12,511	0	(1,087)	0
Extracurricular Activities	784,353	234,387	17,811	0	(532,155)	0
Interest and Fiscal Charges	146,017	0	0	0	(146,017)	0
<b>Total Primary Government</b>	<b>\$25,203,511</b>	<b>\$1,870,721</b>	<b>\$3,311,335</b>	<b>\$15,000</b>	<b>(20,006,455)</b>	<b>0</b>
<b>Component Unit</b>						
Franklin Local Community School	\$715,049	\$0	\$513,065	\$0	0	(201,984)
<b>General Revenues</b>						
Property Taxes Levied for:						
					10,489,393	0
					48,086	0
					936,362	0
					169,774	0
						0
					12,638,716	0
					279,760	0
					45,558	66
<b>Total General Revenues</b>					<b>24,607,649</b>	<b>66</b>
Special Items					42,532	(61,243)
<b>Total General Revenues and Special Items</b>					<b>24,650,181</b>	<b>(61,177)</b>
<b>Change in Net Position</b>					<b>4,643,726</b>	<b>(263,161)</b>
<b>Net Position Beginning of Year</b>					<b>13,818,779</b>	<b>263,161</b>
<b>Net Position End of Year</b>					<b>\$18,462,505</b>	<b>\$0</b>

See accompanying notes to the basic financial statements

**Franklin Local School District, Ohio**

*Balance Sheet  
Governmental Funds  
June 30, 2019*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$7,439,203	\$4,920,844	\$12,360,047
Cash in Segregated Accounts	0	334	334
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	560	0	560
Receivables:			
Property Taxes	11,648,153	1,387,066	13,035,219
Accounts	17,927	293	18,220
Intergovernmental	205,336	470,744	676,080
Interfund	174,887	20,446	195,333
Accrued Interest	22,417	115	22,532
Prepaid Items	117,755	0	117,755
Materials and Supplies Inventory	15,946	5,825	21,771
Inventory Held for Resale	0	13,054	13,054
<i>Total Assets</i>	<u>\$19,642,184</u>	<u>\$6,818,721</u>	<u>\$26,460,905</u>
<b>Liabilities</b>			
Accounts Payable	\$109,119	\$79,472	\$188,591
Interfund Payable	20,446	174,887	195,333
Accrued Wages and Benefits Payable	2,157,258	257,624	2,414,882
Matured Sick Leave Benefits Payable	46,493	0	46,493
Intergovernmental Payable	479,510	47,312	526,822
<i>Total Liabilities</i>	<u>2,812,826</u>	<u>559,295</u>	<u>3,372,121</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	5,377,485	634,244	6,011,729
Unavailable Revenue	1,781,822	458,923	2,240,745
<i>Total Deferred Inflows of Resources</i>	<u>7,159,307</u>	<u>1,093,167</u>	<u>8,252,474</u>
<b>Fund Balances</b>			
Nonspendable	134,261	5,825	140,086
Restricted	0	1,820,903	1,820,903
Committed	914,680	1,709,279	2,623,959
Assigned	5,463,574	1,755,547	7,219,121
Unassigned (Deficit)	3,157,536	(125,295)	3,032,241
<i>Total Fund Balances</i>	<u>9,670,051</u>	<u>5,166,259</u>	<u>14,836,310</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$19,642,184</u>	<u>\$6,818,721</u>	<u>\$26,460,905</u>

See accompanying notes to the basic financial statements

**Franklin Local School District, Ohio**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 June 30, 2019*

<b>Total Governmental Fund Balances</b>		<b>\$14,836,310</b>
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		28,786,216
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Delinquent Property Taxes	1,808,981	
Intergovernmental	360,255	
Student Fees	14,007	
Investment Earnings	17,847	
Miscellaneous	39,655	2,240,745
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal fund are included in governmental activities in the statement of net position.		624,206
Vacation benefits payable is recognized for earned vacation benefits that are not expected to be paid with expendable available financial resources and therefore are not reported in the funds.		(65,497)
Deferred outflows of resources representing deferred charges on refundings do not provide current financial resources and therefore are not reported in the funds.		139,229
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Accrued Interest Payable	(23,502)	
School Improvement Bonds Payable	2,026,070	
Sick Leave Benefits Payable	1,703,086	(3,752,658)
The net pension liability and net OPEB are not due and payable in the current period; therefore, the liability, asset, and related deferred inflows/outflows are not reported in the governmental funds:		
Net OPEB Asset	1,344,943	
Deferred Outflows - Pension	5,981,986	
Deferred Inflows - Pension	(2,927,591)	
Net Pension Liability	(23,742,461)	
Deferred Outflows - OPEB	306,494	
Deferred Inflows - OPEB	(2,682,577)	
Net OPEB Liability	(2,626,840)	(24,346,046)
<b>Net Position of Governmental Activities</b>		<b>\$18,462,505</b>

See accompanying notes to the basic financial statements

**Franklin Local School District, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2019*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Taxes	\$10,318,051	\$1,223,865	\$11,541,916
Intergovernmental	13,466,730	2,440,954	15,907,684
Investment Earnings	276,845	1,148	277,993
Charges for Services and Sales	0	277,884	277,884
Tuition and Fees	1,322,646	40,266	1,362,912
Gifts and Donations	20,583	11,922	32,505
Extracurricular Activities	13,252	221,135	234,387
Miscellaneous	60,753	8,545	69,298
<i>Total Revenues</i>	<u>25,478,860</u>	<u>4,225,719</u>	<u>29,704,579</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	11,621,574	262,899	11,884,473
Special	1,757,055	1,140,416	2,897,471
Vocational	90,944	0	90,944
Intervention	239,820	3,854	243,674
Support Services:			
Pupils	945,037	38,701	983,738
Instructional Staff	624,886	29,266	654,152
Board of Education	136,739	0	136,739
Administration	1,921,905	0	1,921,905
Fiscal	519,303	22,591	541,894
Operation and Maintenance of Plant	1,831,684	176,725	2,008,409
Pupil Transportation	1,485,348	0	1,485,348
Central	133,214	7,200	140,414
Operation of Non-Instructional Services:			
Food Service Operations	86,469	1,108,093	1,194,562
Other	0	13,598	13,598
Extracurricular Activities	503,440	228,947	732,387
Capital Outlay	129,919	2,545,247	2,675,166
Debt Service:			
Principal Retirement	0	679,860	679,860
Interest and Fiscal Charges	0	50,404	50,404
<i>Total Expenditures</i>	<u>22,027,337</u>	<u>6,307,801</u>	<u>28,335,138</u>
<i>Excess of Revenues Over(Under) Expenditures</i>	<u>3,451,523</u>	<u>(2,082,082)</u>	<u>1,369,441</u>
<b>Other Financing Sources (Use)</b>			
Transfers In	0	2,192,084	2,192,084
Proceeds from Sale of Capital Assets	14,000	0	14,000
Transfers Out	(2,192,084)	0	(2,192,084)
<i>Total Other Financing Sources (Use)</i>	<u>(2,178,084)</u>	<u>2,192,084</u>	<u>14,000</u>
<i>Change before Special Items</i>	1,273,439	110,002	1,383,441
Special Items	42,532	0	42,532
<i>Net Change in Fund Balance</i>	1,315,971	110,002	1,425,973
<i>Fund Balances Beginning of Year</i>	<u>8,354,080</u>	<u>5,056,257</u>	<u>13,410,337</u>
<i>Fund Balances End of Year</i>	<u>\$9,670,051</u>	<u>\$5,166,259</u>	<u>\$14,836,310</u>

See accompanying notes to the basic financial statements



**Franklin Local School District, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2019*

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**Net Change in Fund Balances - Total Governmental Funds** \$1,425,973

*Amounts reported for governmental activities in the statement of activities are different because*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay:

Capital Asset Additions	1,523,703	
Depreciation Expense	<u>(2,228,622)</u>	(704,919)

Governmental funds report only the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of proceeds from the sale of capital assets and the loss on disposal of capital assets:

Loss on Disposal of Capital Assets	(32,495)	
Proceeds from the sale of capital assets	<u>(14,000)</u>	(46,495)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Delinquent Taxes	101,699	
Intergovernmental	23,711	
Student Fees	(4,462)	
Investment Earnings	2,918	
Miscellaneous	<u>(23,740)</u>	100,126

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

General Obligation Bonds	114,860	
Construction Refunding Bonds	<u>565,000</u>	679,860

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities. Premiums and discounts are reported as revenues and expenditures when the debt is first issued; however, these amounts are deferred and amortized on the statement of activities:

Accrued Interest Payable	(18,724)	
Amortization of Serial Premium	15,775	
Amortization of Deferred Amount on Refunding	(21,532)	
Annual Accretion	<u>(71,132)</u>	(95,613)

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.

(39,094)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Vacation Benefits Payable	(11,214)	
Sick Leave Benefits Payable	<u>18,831</u>	7,617

Contractually required contributions are reported as expenditures in the governmental funds; however, the statement of net position reports these amounts as deferred outflows.

Pension	1,804,863	
OPEB	<u>75,055</u>	1,879,918

Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB (asset) liability are reported as pension/OPEB expense in the statement of activities.

Pension	(1,404,572)	
OPEB	<u>2,840,925</u>	1,436,353

*Change in Net Position of Governmental Activities* \$4,643,726

See accompanying notes to the basic financial statements

**Franklin Local School District, Ohio**  
*Statement of Revenues, Expenditures and Changes  
in Fund Balances - Budget and Actual (Budget Basis)*  
General Fund  
For the Fiscal Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$6,915,776	\$6,915,776	\$8,525,174	\$1,609,398
Intergovernmental	13,589,300	13,589,300	13,531,388	(57,912)
Investment Earnings	111,584	111,584	171,402	59,818
Tuition and Fees	1,243,483	1,243,483	1,322,546	79,063
Gifts and Donations	100	100	299	199
Miscellaneous	4,622	4,622	4,260	(362)
<i>Total Revenues</i>	<u>21,864,865</u>	<u>21,864,865</u>	<u>23,555,069</u>	<u>1,690,204</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	11,726,896	11,726,896	11,191,177	535,719
Special	1,865,238	1,865,238	1,743,652	121,586
Vocational	102,034	102,034	99,496	2,538
Intervention	258,665	258,665	237,491	21,174
Support Services:				
Pupils	933,952	933,952	937,039	(3,087)
Instructional Staff	613,044	613,044	626,662	(13,618)
Board of Education	121,297	121,297	150,803	(29,506)
Administration	1,885,747	1,885,747	1,885,499	248
Fiscal	522,026	522,026	512,536	9,490
Operation and Maintenance of Plant	2,142,481	2,142,481	1,815,484	326,997
Pupil Transportation	1,478,928	1,478,928	1,483,331	(4,403)
Central	132,040	132,040	139,830	(7,790)
Operation of Non-Instructional Services:				
Food Service Operations	89,786	89,786	85,129	4,657
Extracurricular Activities	472,436	472,436	467,745	4,691
Capital Outlay	50,000	50,000	147,914	(97,914)
<i>Total Expenditures</i>	<u>22,394,570</u>	<u>22,394,570</u>	<u>21,523,788</u>	<u>870,782</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(529,705)</u>	<u>(529,705)</u>	<u>2,031,281</u>	<u>2,560,986</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	235,000	235,000	160,000	(75,000)
Advances Out	(160,000)	(160,000)	(160,000)	0
Transfers Out	(1,531,360)	(2,281,360)	(2,192,084)	89,276
<i>Total Other Financing Sources (Uses)</i>	<u>(1,456,360)</u>	<u>(2,206,360)</u>	<u>(2,192,084)</u>	<u>14,276</u>
<i>Change before Special Items</i>	<u>(1,986,065)</u>	<u>(2,736,065)</u>	<u>(160,803)</u>	<u>2,575,262</u>
Special Items	0	0	32,435	32,435
<i>Net Change in Fund Balance</i>	<u>(1,986,065)</u>	<u>(2,736,065)</u>	<u>(128,368)</u>	<u>2,607,697</u>
<i>Fund Balance Beginning of Year</i>	<u>6,171,758</u>	<u>6,171,758</u>	<u>6,171,758</u>	<u>0</u>
Prior Year Encumbrances Appropriated	48,925	48,925	48,925	0
<i>Fund Balance End of Year</i>	<u>\$4,234,618</u>	<u>\$3,484,618</u>	<u>\$6,092,315</u>	<u>\$2,607,697</u>

See accompanying notes to the basic financial statements

**Franklin Local School District, Ohio**

*Statement of Fund Net Position*

*Internal Service Fund*

*June 30, 2019*

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	<u>Medical-Dental Insurance</u>
<b>Current Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$1,002,955
<b>Current Liabilities</b>	
Claims Payable	<u>378,749</u>
<b>Net Position</b>	
Unrestricted	<u><u>\$624,206</u></u>

See accompanying notes to the basic financial statements

**Franklin Local School District, Ohio**  
*Statement of Revenues,  
 Expenses and Changes in Fund Net Position  
 Internal Service Fund  
 For the Fiscal Year Ended June 30, 2019*

	Medical-Dental Insurance
<b>Operating Revenues</b>	
Charges for Services	\$3,714,708
<b>Operating Expenses</b>	
Purchased Services	486,490
Claims	3,267,312
<i>Total Operating Expenses</i>	<i>3,753,802</i>
<i>Operating Loss</i>	<i>(39,094)</i>
<i>Net Position Beginning of Year</i>	<i>663,300</i>
<i>Net Position End of Year</i>	<i>\$624,206</i>

See accompanying notes to the basic financial statements

**Franklin Local School District, Ohio**  
*Statement of Cash Flows*  
*Internal Service Fund*  
For the Fiscal Year Ended June 30, 2019

	Medical-Dental Insurance
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Transactions with Other Funds	\$3,714,708
Cash Payments to Suppliers for Services	(486,490)
Cash Payments for Claims	(3,061,936)
<i>Net Increase in Cash and Cash Equivalents</i>	166,282
<i>Cash and Cash Equivalents Beginning of Year</i>	836,673
<i>Cash and Cash Equivalents End of Year</i>	\$1,002,955
<b>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities</b>	
Operating Loss	(\$39,094)
<b>Changes in Liabilities</b>	
Increase in Claims Payable	205,376
<i>Net Cash Provided by Operating Activities</i>	\$166,282

See accompanying notes to the basic financial statements

**Franklin Local School District, Ohio**

*Statement of Net Position*

*Fiduciary Funds*

*June 30, 2019*

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	Private Purpose Trust	
	Pletcher	Agency
	Scholarship	
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$16,764	\$36,776
Accrued Interest Receivable	27	0
<i>Total Assets</i>	<u>16,791</u>	<u>\$36,776</u>
<b>Liabilities</b>		
Due to Students	0	36,776
<i>Total Liabilities</i>	<u>0</u>	<u>\$36,776</u>
<b>Net Position</b>		
Endowments	14,000	
Held in Trust for Scholarships	2,791	
Total Net Position	<u>\$16,791</u>	

See accompanying notes to the basic financial statements

**Franklin Local School District, Ohio**

*Statement of Changes in Net Position*

*Private Purpose Trust Fund*

*For the Fiscal Year Ended June 30, 2019*

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	Private Purpose Trust Pletcher Scholarship
<b>Additions</b>	
Investment Earnings	\$394
<b>Deductions</b>	
Scholarships	181
<i>Change in Net Position</i>	213
<i>Net Position Beginning of Year</i>	16,578
<i>Net Position End of Year</i>	<u>\$16,791</u>

See accompanying notes to the basic financial statements

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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

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

The School District was established in 1827 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 210 square miles. It is located in Muskingum and Perry Counties, and includes the Villages of Philo and Roseville, the Townships of Salt Creek, Blue Rock, Brush Creek, Clay, Harrison, Meigs, and Wayne, and a portion of Rich Hill Township. The School District is staffed by 99 classified employees, 148 certificated full-time teaching personnel, and 15 administrative employees who provide services to 1,996 students and other community members. The School District currently operates five instructional buildings (beginning in fiscal year 2012, the Roseville instructional building only housed students of the Franklin Local Community School and preschool classes), one administrative building, and one garage.

*Reporting Entity*

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements of the School District 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 Local School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is 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. Component units may also include 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, and there is a potential for the organization to provide specific financial benefit to, or impose specific financial burdens on, the primary government. The School District had one component unit, the Franklin Local Community School.

The component unit column on the Statement of Net Position and the Statement of Activities identifies the financial data of the School District's Component Unit, the Franklin Local Community School (FLCS). It is reported separately to emphasize that it is legally separate from the School District. On February 21, 2019, the Franklin Local School District's Board of Education (the Sponsor) approved the transfer of operations for FLCS to the Sponsor. On March 14, 2019, the FLCS Board approved the transfer of operations and both the FLCS Board and the Sponsor Board signed an agreement to close FLCS and transfer the operations to the Sponsor as of June 30, 2019 (See Notes 20 and 23).



**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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The FLCS was a legally separate entity created under Ohio Revised Code Chapter 3314 and incorporated under Chapter 1702. The FLCS was governed by a five member Board of Directors who were appointed from the public by the School District. These Board members were public officials, public employees, or community leaders demonstrating a professional interest in education or in other issues involving children, and desires to further the objectives of the FLCS. The Board of Directors were responsible for carrying out the provisions of the contract which include, but are not limited to, helping create, approve, and monitor the annual budget, develop policies to guide operations, secure funding, and maintain a commitment to vision, mission, and belief statements of FLCS and the children it serves. The School District appointed the Board and was able to impose its will on the FLCS; therefore, due to the relationship with the School District, it would be misleading to exclude. The School District could suspend the FLCS' operations for any of the following reasons: 1) The FLCS' failure to meet student performance requirements stated in its contract with the School District, 2) The FLCS' failure to meet generally accepted standards of fiscal managements, 3) The FLCS' violation of any provisions of the contract with the School District or applicable state or federal law or 4) Other good cause. Separately issued financial statements can be obtained from the Franklin Local Community School, P.O. Box 428, Duncan Falls, Ohio 43734.

The School District participates in four jointly governed organizations and four insurance purchasing pools. These organizations are the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments, Mid-East Career and Technology Center, Coalition of Rural and Appalachian Schools, Ohio Coalition of Equity and Adequacy of School Funding, Ohio School Boards Association Workers' Compensation Group Rating Program, Schools of Ohio Risk Sharing Authority (SORSA), Ohio School Boards Association Insurance Trust, and the Ohio School Benefits Cooperative. These organizations are presented in Notes 18 and 19 to the basic financial statements.

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

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

**Basis of Presentation**

The School District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements 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 activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The statements usually distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts, or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The School District does not have any business-type activities.

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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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 which 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. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

**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 funds used by the School District can be classified using three categories: governmental, proprietary, and fiduciary.

***Governmental Funds*** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets 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 is the description of the School District's major governmental fund:

***General Fund*** The General Fund accounts for and reports 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.

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

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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***Proprietary Fund Type*** Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund:

***Internal Service Fund*** The Internal Service Fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for the operation of the School District's self-insurance program for employee medical, surgical, prescription drug, and dental claims.

***Fiduciary Fund Type*** Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private purpose trust which accounts for a college scholarship program for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for student activities and tournament activities.

### **Measurement Focus**

***Government-wide Financial Statements*** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net position. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position.

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

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

The private purpose trust fund is reported using the economic resources measurement focus.

### **Basis of Accounting**

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

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, in the recording of deferred outflows/inflows of resources, and in the presentation of expenses versus expenditures.

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 8). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis.

On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, investment earnings, tuition, grants, and fees.

***Deferred Outflows/Inflows of Resources*** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding, pension, and OPEB plans. A deferred charge on refunding results from the difference in carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 14 and 15.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB plans, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2019, but which were levied to finance fiscal year 2020 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, grants, student fees, investment earnings, and miscellaneous. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities fund on page 17. Net deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 14 and 15)

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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***Unearned Revenue*** Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. The Self-Insurance Fund reports unearned revenue for premiums received from the paying funds prior to the fiscal year the premiums are due.

***Expenses/Expenditures*** On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

**Cash and Cash Equivalents**

To improve cash management, cash received by the School District is pooled. Monies for all funds, except a portion of the private purpose trust fund and amounts in the flexible spending agency fund, are maintained in this pool. Individual fund integrity is maintained through School District's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During fiscal year 2019, investments were limited to federal agency securities and negotiable certificates of deposit. Investments in federal agency securities and negotiable certificates of deposit are reported at fair value based on quoted market prices.

Following Ohio statutes, 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 2019 amounted to \$276,845, which includes \$91,244 assigned from other School District funds.

The School District has a segregated bank account for the athletic account special revenue fund that is held separate from the School District's central bank account. This depository account is presented as "Cash in Segregated Accounts" since it is not deposited into the School District treasury.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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**Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2019, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

**Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expended/expense when used. Inventories consist of materials and supplies held for consumption and donated and purchased food held for resale.

**Capital Assets**

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the enterprise funds are reported both in the business type activities column of the government-wide statement of net position and in the respective funds. The School District's only capital assets are general capital assets.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. The School District was able to estimate the historical cost for the initial reporting of capital assets by backtrending (i.e., estimating the current replacement cost of the assets to be capitalized and using an appropriate price-index to deflate the costs to the acquisition year or estimated acquisition year.) Donated fixed assets are recorded at their acquisition value as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

Description	Estimated Lives
Land Improvements	10-30 years
Buildings and Improvements	10-40 years
Furniture and Equipment	5-20 years
Vehicles	3-10 years

**Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets reported on the balance sheet represent unclaimed monies.

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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**Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The liability for vacation benefits is recorded as "vacation benefits payable", rather than long-term liabilities, as the balances are to be used by employees in the fiscal year following the fiscal year earned.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for classified and certified employees with ten or more years of current service with the School District. The entire sick leave benefits liability is reported on the government-wide financial statements.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured sick leave benefits payable" in the funds from which these payments will be made.

**Accrued Liabilities and Long-term Obligations**

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

**Internal Activity**

Transfers within governmental activities are eliminated on the government-wide statements. Internal allocations of overhead expenses from one program to another or within the same program are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

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

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

For purposes of measuring the net pension/OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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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.

**Fund Balance**

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

**Nonspendable:** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are 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 or enabling legislation (School District resolutions).

Enabling legislation authorizes the School District to assess, levy, charge, or otherwise mandates payment of resources (from external resources providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the School District can be compelled by an external party such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

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

**Assigned:** Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted 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 School District Board of Education or a School District official delegated that authority by resolution or by State Statute. State statute authorizes the School District’s Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The School District’s Board of Education assigned fund balance to cover a gap between estimated revenue and appropriations in fiscal year 2020’s appropriated budget.

**Unassigned:** The 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 balance.



**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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

**Bond Premiums and Discounts**

On government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond discounts and premiums are amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond discounts are presented as a reduction of the face amount of bonds payable. Bond premiums are presented as an addition to the face amount of the bonds. Bond discounts on the capital appreciation bonds are accreted over the term of the bonds. Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

On the government fund financial statements, bond premiums and bond discounts are recognized in the period in which bonds are issued. The face amount of the debt issue is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses.

**Net Position**

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

**Deferred Charge on Refunding**

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on the refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the statement of net position.

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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**Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. Revenues and expenses not meeting this definition are reported as non-operating.

**Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. For fiscal year 2019, the School District is reporting a special item representing revenues directly related to the transfer of operations of FLCS to the School District (See Note 20).

**Estimates**

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

**Budgetary Process**

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

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. The amounts reported as the original budgeted amounts in the budgetary statement reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect when final appropriations for the fiscal year were passed.

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

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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**Interfund Balances**

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated on the statement of net position.

**Note 3 - Changes in Accounting Principles**

For fiscal year 2019, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* and Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*,

For fiscal year 2019, the School District also implemented the Governmental Accounting Standards Board’s (GASB) *Implementation Guide No. 2017-2*. These changes were incorporated in the School District’s 2019 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 88 improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. These changes were incorporated in the School District’s 2019 financial statements; however, there was no effect on beginning net position.

GASB 89 establishes accounting requirements for interest cost incurred before the end of a construction period. These changes were incorporated in the School District’s 2019 financial statements; however, there was no effect on beginning net position.

**Note 4 - Accountability**

The following fund had deficit fund balances as of June 30, 2019:

<u>Special Revenue Funds:</u>	
Food Service	(\$15,080)
Title IDEA-B	(45,716)
Title I	(55,440)
Title II-A	(9,059)

The deficit in the special revenue funds was the result of the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur. The School District is currently monitoring its financial condition and is taking steps to increase revenues and reduce spending.

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
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**Note 5 - Fund Balances**

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

Fund Balances	General	Other Governmental Funds	Total
<u><b>Nonspendable:</b></u>			
Prepays	\$117,755	\$0	\$117,755
Materials and Supplies Inventory	15,946	5,825	21,771
Unclaimed Monies	560	0	560
<i>Total Nonspendable</i>	<u>134,261</u>	<u>5,825</u>	<u>140,086</u>
<u><b>Restricted for:</b></u>			
Classroom Facilities Maintenance	0	939,890	939,890
Debt Service	0	283,510	283,510
Capital Projects	0	546,906	546,906
Federal Grant Programs	0	963	963
District Managed Student Activities	0	49,634	49,634
<i>Total Restricted</i>	<u>0</u>	<u>1,820,903</u>	<u>1,820,903</u>
<u><b>Committed to:</b></u>			
Scholarships	0	21,128	21,128
After School Programs	0	30,164	30,164
Capital Improvements	0	1,657,987	1,657,987
Severance Payments	914,680	0	914,680
<i>Total Committed</i>	<u>914,680</u>	<u>1,709,279</u>	<u>2,623,959</u>
<u><b>Assigned to:</b></u>			
Capital Improvements	0	1,755,547	1,755,547
Public School Support	187,362	0	187,362
Purchases on Order	141,176	0	141,176
Assigned to Subsequent Year's Appropriations	5,135,036	0	5,135,036
<i>Total Assigned</i>	<u>5,463,574</u>	<u>1,755,547</u>	<u>7,219,121</u>
<u><b>Unassigned:</b></u>	<u>3,157,536</u>	<u>(125,295)</u>	<u>3,032,241</u>
<i>Total Fund Balances</i>	<u>\$9,670,051</u>	<u>\$5,166,259</u>	<u>\$14,836,310</u>

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
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**Note 6 - Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget) rather than restricted, committed, or assigned fund balance (GAAP).
4. Prepaid items are reported on the balance sheet (GAAP) but not on the budgetary basis.
5. Advances in and advances out are operating transactions (budget basis) as opposed to Balance Sheet transactions (GAAP basis).
6. Unreported cash, fair market value changes and negative cash advances to other funds are reported on the "Statement of Revenues, Expenditures, and Changes in Fund Balance (GAAP Basis), but not on budgetary basis."
7. Certain funds are accounted for as separate funds internally with legally adopted budgets (budget basis) that do not meet the definition of special revenue funds under GASB Statement No. 54 and were reported with the General Fund (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

**Franklin Local School District, Ohio**  
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Net Change in Fund Balance

GAAP Basis	\$1,315,971
Net Adjustment for Revenue Accruals	(2,147,499)
Prepaid Items:	
Beginning of Fiscal Year	116,112
End of Fiscal Year	(117,755)
Unreported Cash:	
Beginning of Fiscal Year	365,765
End of Fiscal Year	(31,232)
Fair Market Value:	
Beginning of Fiscal Year	(121,714)
End of Fiscal Year	15,587
Negative cash advance to other funds	2,000
Net Adjustment for Expenditure Accruals	584,034
Advances In	160,000
Advances Out	(160,000)
To reclassify excess of revenues and other sources of financial resources over expenditures and other uses of financial resources into financial statement fund types.	66,882
Adjustment for Encumbrances	(176,519)
Budget Basis	<u><u>(\$128,368)</u></u>

**Note 7 - Deposits and Investments**

Monies held by the School District are classified into three categories.

Active deposits are public deposits necessary to meet current demands upon the School District treasury. Active 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 has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
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Interim monies may be deposited or invested in the following securities:

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

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

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

**Franklin Local School District, Ohio**  
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**Investments**

Investments are reported at fair value. As of June 30, 2019, the School District had the following investments:

Measurement/Investment	Measurement Amount	Maturity	Standard & Poor's Rating	Percent of Total Investments
Fair Value - Level Two Inputs				
Federal Home Loan Mortgage Corporation Notes				
	\$3,765,173	Less than three years	AA+	68.46%
Negotiable Certificates of Deposit				
	1,239,968	Less than one year	N/A	22.55%
Negotiable Certificates of Deposit				
	494,272	Less than three years	N/A	8.99%
Total Investments	<u>\$5,499,413</u>			

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 to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the School District's recurring fair value measurements as of June 30, 2019. Investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 Inputs)

**Interest Rate Risk** The School District's investment policy addresses interest rate risk to the extent that it allows the Treasurer to invest funds to a maximum maturity of five years. The Treasurer cannot make investments which he/she does not reasonably believe can be held until the maturity date. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

**Credit Risk** The negotiable certificates of deposit are unrated. The School District has no investment policy that addresses credit risk.

**Concentration of Credit Risk** Concentration of credit risk is defined by the Governmental Accounting Standards Board as having five percent or more invested in the securities of a single issuer. The School District places no limit on the amount it may invest in any one issuer.



**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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**Note 8 - Property Taxes**

Property taxes are levied and assessed on a calendar year basis while the School District's 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 2019 represents collections of calendar year 2018 taxes. Real property taxes received in calendar year 2019 were levied after April 1, 2018, on the assessed value listed as of January 1, 2018, the lien date. Assessed values for real property taxes are established by State statute at thirty-five 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 2019 represents collections of calendar year 2018 taxes. Public utility real property taxes received in calendar year 2019 became a lien December 31, 2017, were levied after April 1, 2018, and are collected with real property taxes. Public utility real property is assessed at thirty-five 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 Muskingum and Perry Counties. The County Auditors 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, 2019, are available to finance fiscal year 2019 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which were measurable as of June 30, 2019, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations and is reflected as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2019, was \$5,214,509 and is recognized as revenue: \$4,660,212 in the General Fund, \$76,004 in the Classroom Facilities Maintenance Special Revenue Fund, \$53,062 in the Debt Service Fund, and \$425,231 in the Permanent Improvement Capital Projects Fund. The amount available as an advance at June 30, 2018, was \$3,339,900 and is recognized as revenue: \$2,867,335 in the General Fund, \$49,830 in the Classroom Facilities Maintenance Special Revenue Fund, \$158,850 in the Debt Service Fund, and \$263,885 in the Permanent Improvement Capital Projects Fund.

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

The assessed values upon which the fiscal year 2019 taxes were collected are:

	<u>2018 Second- Half Collections</u>		<u>2019 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential And Other Real Estate	\$192,727,820	63.29%	\$224,448,200	51.89%
Public Utility Personal	111,785,580	36.71%	208,101,330	48.11%
<b>Total</b>	<u><u>\$304,513,400</u></u>	<u><u>100.00%</u></u>	<u><u>\$432,549,530</u></u>	<u><u>100.00%</u></u>
Tax Rate per \$1,000 of assessed valuation	\$35.80		\$34.70	

The decrease in the tax rates was due to an adjustment in the bond levy rates. Tax rates are adjusted according to the amount needed for the retirement of debt service.

**Note 9 - Receivables**

Receivables at June 30, 2019, consisted of property taxes, accrued interest, accounts (charges for services, student fees, and intergovernmental), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables except for property taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. The delinquent property taxes amounted to \$1,808,981 as of June 30, 2019.

A summary of principal items of intergovernmental receivables follows:

	<u>Amounts</u>
<b>Governmental Activities:</b>	
School Lunch Reimbursement	\$6,561
Early Childhood Education	24,000
Idea Part B	90,244
Title I	290,791
Medicare	3,465
Rural and Low Income	28,619
State Foundation Adjustment	102,194
Title II-A	21,891
Title IV-A	93
School Employees Retirement System Refund	67,686
Ohio Bureau of Workers Compensation Refund	39,655
Miscellaneous Reimbursements	<u>881</u>
<b>Total</b>	<u><u>\$676,080</u></u>

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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**Note 10 - Interfund Balances and Transfers**

**Interfund Balances**

Interfund balances at June 30, 2019, consist of the following individual fund receivables and payables:

	Interfund Payable	Interfund Receivable
<b>Governmental Funds:</b>		
General Fund	\$20,446	\$174,887
Other Nonmajor Governmental Funds:		
District Managed Student Activities	227	3,466
Early Childhood Education	12,000	0
Network Connectivity	7,200	0
Title IDEA-B	45,000	16,980
Title I	55,000	0
Title II-A	25,000	0
Miscellaneous Federal Grants	30,460	0
Total Other Nonmajor Governmental Funds	174,887	20,446
<b>Total All Funds</b>	<b>\$195,333</b>	<b>\$195,333</b>

Interfund balances are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires them and unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorization: to segregate and to return money to the fund from which it was originally provided once a project is completed. Of the amounts above, \$2,000 represents the amount due to the General Fund from Special Revenue Funds for cash deficits.

**Transfers**

The School District transferred \$2,192,084 from the General Fund to the various capital project funds for the purchase of computer equipment, textbooks, and various construction projects for the School District.

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
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**Note 11 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	<u>Balance</u> <u>6/30/2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/2019</u>
Capital Assets:				
Capital Assets not being depreciated:				
Land	\$1,122,451	\$238,162	\$0	\$1,360,613
Construction in Progress	429,229	847,163	(1,276,392)	0
Total Capital Assets not being Depreciated	<u>1,551,680</u>	<u>1,085,325</u>	<u>(1,276,392)</u>	<u>1,360,613</u>
Depreciable Capital Assets:				
Land Improvements	4,432,812	5,878	0	4,438,690
Buildings and Improvements	48,704,076	1,330,946	(258,485)	49,776,537
Furniture and Equipment	2,911,598	73,806	0	2,985,404
Vehicles	2,580,475	304,140	(193,507)	2,691,108
Total Capital Assets being Depreciated	<u>58,628,961</u>	<u>1,714,770</u>	<u>(451,992)</u>	<u>59,891,739</u>
Less Accumulated Depreciation				
Land Improvements	(1,885,422)	(212,175)	0	(2,097,597)
Buildings and Improvements	(25,506,393)	(1,650,581)	211,990	(26,944,984)
Furniture and Equipment	(1,997,096)	(129,916)	0	(2,127,012)
Vehicles	(1,254,100)	(235,950)	193,507	(1,296,543)
Total Accumulated Depreciation	<u>(30,643,011)</u>	<u>(2,228,622) *</u>	<u>405,497</u>	<u>(32,466,136)</u>
Total Capital Assets being Depreciated, Net	<u>27,985,950</u>	<u>(513,852)</u>	<u>(46,495)</u>	<u>27,425,603</u>
Capital Assets, Net	<u>\$29,537,630</u>	<u>\$571,473</u>	<u>(\$1,322,887)</u>	<u>\$28,786,216</u>

\* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$979,993
Special	166,550
Vocational	13,879
Support Services:	
Pupils	48,577
Instructional Staff	132,252
Administration	137,247
Fiscal	4,404
Operation and Maintenance of Plant	211,393
Pupil Transportation	231,215
Food Service Operations	162,683
Extracurricular Activities	140,429
Total Depreciation Expense	<u>\$2,228,622</u>

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
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**Note 12 - 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 2019, the School District contracted with Schools for Ohio Risk Sharing Authority for the insurance shown as follows.

Property and Inland Marine – replacement cost (\$1,000 deductible)	\$90,711,251
Automobile Liability (No deductible)	15,000,000
Uninsured Motorists (No deductible)	1,000,000
General Liability	
Per occurrence	15,000,000
Total per year	17,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from coverage in fiscal year 2018.

**Workers' Compensation**

For fiscal year 2019, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control, and actuarial services to the GRP.

**Employee Medical Benefits**

Medical/prescription drug/surgical and dental insurance are offered to employees through a self-insurance internal service fund. Monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The medical coverage premiums are \$671.10 monthly for single and \$1,833.68 monthly for family. The dental coverage premiums are \$46.93 monthly for single and \$90.42 for family. The claims liability of \$378,749 reported in the internal service fund at June 30, 2019, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. The School District purchases an aggregate stop-loss coverage policy in the amount of \$4,809,834 annually. In addition, the School District has contracted for an excess stop-loss coverage with a maximum allowable covered expense per individual of \$100,000 annually.

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
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Changes in the fund's claims liability amount in fiscal years 2018 and 2019 were:

	Balance at Beginning of Fiscal Year	Current Year Claims	Claim Payments	Balance at End of Fiscal Year
2018	\$302,889	\$3,225,059	\$3,354,575	\$173,373
2019	173,373	3,267,312	3,061,936	378,749

**Note 13 - Employee Benefits**

**Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. The liability for vacation benefits is recorded as vacation benefits payable, rather than long-term liabilities, as the balances earned by employees on their anniversary hire date must be used within one year.

Teachers earn sick leave at the rate of one day per month. Administrators and classified 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 250 days for teachers, administrators, and classified employees. Upon retirement, certified personnel receive \$100 per day of accrued, but unused sick leave credit to a maximum of 250 days. Classified personnel receive payment for forty-five percent of accrued, but unused sick leave credit up to a maximum of 250 days.

**Insurance**

The School District provides life insurance and accidental death and dismemberment insurance to most employees through The Lincoln National Life Insurance Company.

**Note 14 - Defined Benefit Pension Plans**

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

**Net Pension Liability/Net OPEB Liability**

The net pension liability and the net OPEB liability (asset) reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions/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 obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
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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; 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 proportionate share of each plan's unfunded benefits is presented as a *net OPEB asset* or long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 15 for the required OPEB disclosures.

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

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

**Franklin Local School District, Ohio**  
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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.

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2019, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining .5 percent was allocated to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$437,555 for fiscal year 2019. Of this amount, \$39,786 is reported as an intergovernmental payable.

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

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

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



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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. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 27 years of service, or 30 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. 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 goes to the DC Plan and the remaining 2 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2019, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. For fiscal year 2019, the contributions rates were equal to the statutory maximum rates and the full employer contribution was allocated to pension.

The School District's contractually required contribution to STRS was \$1,367,308 for fiscal year 2019. Of this amount, \$225,207 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2018, 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:

	<u>SERS</u>	<u>STRS</u>	
Proportion of the Net Pension Liability			
Prior Measurement Date	0.09958300%	0.08433844%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.09322450%</u>	<u>0.08369804%</u>	
Change in Proportionate Share	<u>-0.00635850%</u>	<u>-0.00064040%</u>	
			<u>Total</u>
Proportionate Share of the Net			
Pension Liability	\$5,339,140	\$18,403,321	\$23,742,461
Pension Expense	\$245,710	\$1,158,862	\$1,404,572

At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$292,818	\$424,805	\$717,623
Changes of assumptions	120,570	3,261,416	3,381,986
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	77,514	0	77,514
School District contributions subsequent to the measurement date	<u>437,555</u>	<u>1,367,308</u>	<u>1,804,863</u>
Total Deferred Outflows of Resources	<u>\$928,457</u>	<u>\$5,053,529</u>	<u>\$5,981,986</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$0	\$120,184	\$120,184
Net difference between projected and actual earnings on pension plan investments	\$147,931	\$1,115,957	\$1,263,888
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>\$250,812</u>	<u>\$1,292,707</u>	<u>\$1,543,519</u>
Total Deferred Inflows of Resources	<u>\$398,743</u>	<u>\$2,528,848</u>	<u>\$2,927,591</u>

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\$1,804,863 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	\$257,325	\$969,393	\$1,226,718
2021	55,420	650,792	706,212
2022	(175,216)	(193,765)	(368,981)
2023	(45,370)	(269,047)	(314,417)
Total	\$92,159	\$1,157,373	\$1,249,532

***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, 2018, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

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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 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	1.00%	0.50%
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	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 earning 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.

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***Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 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%)
School District's proportionate share of the net pension liability	\$7,520,581	\$5,339,140	\$3,510,147

***Actuarial Assumptions - STRS***

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

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

Post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 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. 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. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2018 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:

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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 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate** The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2018. 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, 2018. 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, 2018.

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$26,875,626	\$18,403,321	\$11,232,662

**Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System / State Teachers Retirement System. As of June 30, 2019, four members of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.

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**Note 15 - Defined Benefit OPEB Plans**

See Note 14 for a description of the net OPEB liability.

***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 Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was \$21,600. 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 2019, the School District's surcharge obligation was \$58,849.

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 \$75,055 for fiscal year 2019. Of this amount, \$60,323 is reported as an intergovernmental payable.

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

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care.

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

The net OPEB liability (asset) was measured as of June 30, 2018, 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 and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	
Proportion of the Net OPEB Liability			
Prior Measurement Date	0.10092960%	0.08433844%	
Proportion of the Net OPEB Liability			
Current Measurement Date	<u>0.09468580%</u>	<u>0.08369804%</u>	
Change in Proportionate Share	<u>-0.00624380%</u>	<u>-0.00064040%</u>	
			<u>Total</u>
Proportionate Share of the:			
Net OPEB Liability	\$2,626,840	\$0	\$2,626,840
Net OPEB Asset	\$0	(\$1,344,943)	(\$1,344,943)
OPEB Expense	\$115,285	(\$2,956,210)	(\$2,840,925)



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At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$42,879	\$157,091	\$199,970
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	31,469	0	31,469
School District contributions subsequent to the measurement date	75,055	0	75,055
Total Deferred Outflows of Resources	\$149,403	\$157,091	\$306,494
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$0	\$78,361	\$78,361
Changes of assumptions	236,002	1,832,590	2,068,592
Net difference between projected and actual earnings on OPEB plan investments	3,941	153,649	157,590
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	\$178,907	\$199,127	\$378,034
Total Deferred Inflows of Resources	\$418,850	\$2,263,727	\$2,682,577

\$75,055 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	(\$111,237)	(\$380,580)	(\$491,817)
2021	(94,561)	(380,580)	(475,141)
2022	(41,749)	(380,581)	(422,330)
2023	(40,071)	(345,686)	(385,757)
2024	(40,344)	(333,448)	(373,792)
Thereafter	(16,540)	(285,761)	(302,301)
Total	(\$344,502)	(\$2,106,636)	(\$2,451,138)

***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.

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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, 2018, are presented below:

Inflation	3.00 percent
Wage Increases	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.62 percent
Prior Measurement Date	3.56 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.70 percent
Prior Measurement Date	3.63 percent
Medical Trend Assumption	
Medicare	5.375 to 4.75 percent
Pre-Medicare	7.25 to 4.75 percent

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

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

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

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The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 14.

**Discount Rate** The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70 percent. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the 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 3.62 percent, as of June 30, 2018 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

**Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates** The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.70%) and higher (4.70%) than the current discount rate (3.70%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.25% decreasing to 3.75%) and higher (8.25% decreasing to 5.75%) than the current rate.

	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
School District's proportionate share of the net OPEB liability	\$3,187,464	\$2,626,840	\$2,182,931
	1% Decrease (6.25 % decreasing to 3.75 %)	Current Trend Rate (7.25 % decreasing to 4.75 %)	1% Increase (8.25 % decreasing to 5.75 %)
School District's proportionate share of the net OPEB liability	\$2,119,378	\$2,626,840	\$3,298,811

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
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***Actuarial Assumptions – STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2018, actuarial valuation are presented below:

Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Discount Rate of Return - Current Year	7.45 percent
Blended Discount Rate of Return - Prior Year	4.13 percent
Health Care Cost Trends	
Medical	
Pre-Medicare	6 percent initial, 4 percent ultimate
Medicare	5 percent initial, 4 percent ultimate
Prescription Drug	
Pre-Medicare	8 percent initial, 4 percent ultimate
Medicare	-5.23 initial, 4 percent ultimate

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

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

Actuarial assumptions used in the June 30, 2018, 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, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*. Valuation year per capita health care costs were updated.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements were scheduled to be discontinued beginning January 1, 2020. However, in June of 2019, the STRS Board voted to extend the current Medicare Part B partial reimbursement for one year.

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 14.

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
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**Discount Rate** The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2018. The blended discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2018. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017.

**Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate** The following table represents the net OPEB asset as of June 30, 2018, 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%)
School District's proportionate share of the net OPEB asset	(\$1,152,741)	(\$1,344,943)	(\$1,506,478)
	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB asset	(\$1,497,359)	(\$1,344,943)	(\$1,190,151)

**Franklin Local School District, Ohio**  
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**Note 16 - Long-Term Obligations**

The changes in the School District's long-term obligations during the fiscal year consist of the following:

	Principal Outstanding 6/30/18	Additions	Reductions	Principal Outstanding 6/30/19	Amounts Due in One Year
	\$	\$0	\$114,860	\$0	\$0
2013 2.95-3.70% General Obligation Notes	\$114,860				
2012 School Building Construction Refunding Bonds:					
Serial Bonds - 1.0%-2.0%	115,000	0	115,000	0	0
Term Bonds - 2.35%-3.0%	1,545,000	0	0	1,545,000	0
Premium on Bonds	211,648	0	15,775	195,873	0
Original Issue of Capital Appreciation					
Bonds - 28.74-32.98%	40,000	0	0	40,000	15,000
Accretion on Capital Appreciation Bonds	174,065	71,132	0	245,197	125,000
2015 School Building Construction Refunding Bonds:					
Serial Bonds - 1.34%	450,000	0	450,000	0	0
Total Bonds	<u>2,535,713</u>	<u>71,132</u>	<u>580,775</u>	<u>2,026,070</u>	<u>140,000</u>
Net Pension Liability:					
STRS	20,034,777	0	1,631,456	18,403,321	0
SERS	5,949,864	0	610,724	5,339,140	0
Total Net Pension Liability	<u>25,984,641</u>	<u>0</u>	<u>2,242,180</u>	<u>23,742,461</u>	<u>0</u>
Net OPEB Liability:					
STRS	3,290,575	0	3,290,575	0	0
SERS	2,708,685	0	81,845	2,626,840	0
Total Net OPEB Liability	<u>5,999,260</u>	<u>0</u>	<u>3,372,420</u>	<u>2,626,840</u>	<u>0</u>
Sick Leave Benefits Payable	<u>1,721,917</u>	<u>48,745</u>	<u>67,576</u>	<u>1,703,086</u>	<u>49,207</u>
Total Governmental Activities Long-Term Liabilities	<u>\$36,356,391</u>	<u>\$119,877</u>	<u>\$6,377,811</u>	<u>\$30,098,457</u>	<u>\$189,207</u>

Sick leave benefits are paid from the fund from which the employees' salaries are paid, which includes the General Fund and Lunchroom Special Revenue Funds. There are no repayment schedules for the net pension and net OPEB liabilities. However, employee pension contributions are made from the following funds: the General Fund and the Latchkey, Athletic and Music, Title IDEA-B Grant, Title I Grant, Title II-A Grant, and Food Service Special Revenue Funds. For additional information related to the net pension and net OPEB liabilities, see Notes 14 and 15.

On May 1, 2013, the School District was approved for general obligation notes of \$290,000 for installing a synthetic turf playing surface for athletic purposes for the School District under the authority of Ohio Revised Code Section 133. The note was issued for an eight year period with final maturity during fiscal year 2021. The debt was retired through five year pledge donations to be collected from residents of the School District. Through an agreement with the local bank where the proceeds were drawn, the School District made draws on the note as progress on the project was made. These general obligation notes were retired in full during fiscal year 2019.

**Franklin Local School District, Ohio**  
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On March 24, 2009, Financial Guaranty Insurance Company (FGIC), the bond insurer for several current debt issues, was downgraded by Moody's Investor Services from Caa1 to Caa3 and Moody's will withdraw ratings. This downgrade came after Moody's had previously downgraded FGIC from B1 to Caa1 on December 19, 2008; from Baa3 to B1 on June 20, 2008; from A3 to Baa3 on March 31, 2008; and from Aaa to A3 on February 14, 2008.

The downgrade of a bond insurer may not, in and by itself, create an immediate default under the bond indentures or other bond documents or cause any reallocation of rights or responsibilities among parties; however, it will likely have an adverse effect on the value of the bonds as they are traded in the secondary market.

The School District was notified of four of these downgrades by their bond counsel and on March 10, 2009, filed a Material Event Notice with Disclosure USA referencing to the relevant transactions and rating downgrades which had occurred by that date. The School District's bond rating by Moody's on July 24, 2012, was Aa2.

On July 24, 2012, the School District issued refunding bonds of \$2,060,000 consisting of \$475,000 in serial bonds, \$40,000 in capital appreciation bonds, and \$1,545,000 in term bonds. The refunding bonds will mature on December 1, 2031. These bonds were issued to advance refund some of the 2004 School Building Construction Term Bonds. The advance refunded portion of the bonds, as well as the unamortized premium and discount of these advance refunded bonds, were removed from the financial statements of the School District. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$216,787. This difference, reported in the accompanying financial statements as a deferred outflow of resources deferred charge on refunding, is being amortized to interest expense over the life of the refunded bonds using the straight-line method. The amortization of this difference for 2019 was \$11,214. At the date of the refunding, \$2,289,117 (including underwriter fees and other issuance costs) was deposited in an irrevocable trust to provide for all future debt service payments on the refunded 2004 bonds. On December 1, 2014, the refunded bonds were called and paid in full and the irrevocable trust account was closed.

The current interest term bonds due December 1, 2023, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Date	Principal Amount To Be Redeemed
2022	\$135,000

The remaining principal amount of such current interest term bonds (\$140,000) will be paid at stated maturity on December 1, 2023.

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

Date	Principal Amount To Be Redeemed
2024	\$145,000

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
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The remaining principal amount of such current interest term bonds (\$150,000) will be paid at stated maturity on December 1, 2025.

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

<u>Date</u>	<u>Principal Amount To Be Redeemed</u>
2026	\$155,000

The remaining principal amount of such current interest term bonds (\$155,000) will be paid at stated maturity on December 1, 2027.

The current interest term bonds due December 1, 2029, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

<u>Date</u>	<u>Principal Amount To Be Redeemed</u>
2028	\$160,000

The remaining principal amount of such current interest term bonds (\$160,000) will be paid at stated maturity on December 1, 2029.

The current interest term bonds due December 1, 2031, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

<u>Date</u>	<u>Principal Amount To Be Redeemed</u>
2030	\$170,000

The remaining principal amount of such current interest term bonds (\$175,000) will be paid at stated maturity on December 1, 2031.

The current interest term bonds maturing after December 1, 2021, are subject to redemption at the option of the School District, either in whole or in part, in such order of maturity as the School District shall determine, on any date on or after June 1 2022, at a redemption price equal to 100% of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption.

The capital appreciation bonds will mature in fiscal year 2022. The maturity amount of the bonds is \$460,000. For the fiscal year 2019, \$71,132 was accreted for a total bond value of \$285,197.



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On March 5, 2015, the School District issued School Building Construction Refunding Bonds consisting of \$1,455,000 in serial bonds. The refunding bonds will mature on December 1, 2018. These bonds were issued to current refund the remaining balance of the 2004 School Building Construction Refunding Bonds in the amount of \$1,285,000 and to current refund the remaining balance of the 2004 School Building Construction Bonds of \$170,000. The current refunded portion of the bonds, as well as the unamortized deferred outflow of resources deferred charge on refunding of \$84,116, the unamortized premiums in the amount of \$51,489, and the unamortized discount in the amount of \$1,765, were removed from the financial statements of the School District. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$61,908. This difference, reported in the accompanying financial statements as a deferred outflow of resources deferred charge on refunding, is being amortized to interest expense over the life of the refunded bonds using the straight-line method. The amortization of this difference for 2019 was \$10,318. At the date of the refunding, \$1,482,516 (including underwriter fees and other issuance costs) was deposited in an escrow account to provide for all future debt service payments on the refunded bonds. The refunded bonds matured and were paid in full on April 20, 2015, and the account was closed. The refunding bonds were retired during fiscal year 2019.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2019, were as follows:

Fiscal Year Ending June 30	Capital Appreciation		Term	
	Principal	Interest	Principal	Interest
2020	\$15,000	\$125,000	\$0	\$26,755
2021	15,000	125,000	0	26,755
2022	10,000	130,000	0	31,755
2023	0	0	135,000	39,730
2024	0	0	140,000	35,605
2025-2029	0	0	765,000	122,464
2030-2032	0	0	505,000	22,629
	<u>\$40,000</u>	<u>\$380,000</u>	<u>\$1,545,000</u>	<u>\$305,693</u>

The interest on the capital appreciation bonds represents the accretion of the deep-discounted bonds from the initial value at the time of issuance to their value at final maturity.

The overall debt margin of the School District as of June 30, 2019, was \$37,555,507, with an unvoted debt margin of \$431,744.

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
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**Note 17 - Significant Commitments**

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General Fund	\$176,519
Nonmajor Governmental Funds	636,923
Agency Funds	<u>2,500</u>
Total	<u><u>\$815,942</u></u>

**Note 18 - Jointly Governed Organizations**

**Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments**

The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council). The Council was created as a separate regional council of governments pursuant to State Statutes. The Council operates under the direction of a Board comprised of a representative from each participating school district. The Board exercises total control over the operations of the Council including budgeting, appropriating, contracting, and designating management. Each participants control is limited to its representation on the Board. The Council provides information technology and internet access to member districts, as well as cooperative purchasing programs. During fiscal year 2019, the total amount paid to OME-RESA from the School District was \$57,414 for technology services and financial accounting services and educational management information. The Jefferson County Educational Service Center serves as the fiscal agent. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

**Mid-East Career and Technology Center**

The Mid-East Career and Technology Center is a jointly governed organization providing vocational services to its thirteen member school districts. The Career and Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one member from each of the participating school district's boards. The board possesses its own budgeting and taxing authority. The continued existence of the Career and Technology Center is not dependent on the School District's continued participation. To obtain financial information write to the Mid-East Career and Technology Center, Rick White, Treasurer, at 1965 Chandlersville Road, Zanesville, Ohio 43701.

**Coalition of Rural and Appalachian Schools**

The Coalition of Rural and Appalachian Schools (CORAS) is a jointly governed organization composed of over 130 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of nineteen members. One elected and one appointed from each of the eight regions into which the 35 Appalachian counties are divided; and three from Ohio University College of Education. The board exercised total control over the operations of CORAS including budgeting, appropriating contracting, and designating management. Each participant's control is limited to its representation on the board. The Coalition provides various in-service training

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programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Coalition. During fiscal year 2019, the School District made a payment of \$325 for a membership fee. Financial information may be obtained from the Coalition of Rural and Appalachian Schools at 322 McCracken Hall, Ohio University, Athens, Ohio 45701.

**Ohio Coalition of Equity and Adequacy of School Funding**

The Ohio Coalition of Equity and Adequacy of School Funding is organized as a council of governments pursuant to Chapter 167 of the Ohio Revised Code. The Coalition was organized to challenge the constitutionality of the Ohio school funding system. The purpose of the Coalition is to bring about greater equity and adequacy of public school funding in Ohio. The Coalition is governed by a Steering Committee of 90 school district representatives. Though most of the members are superintendents, some treasurers, board members, and administrators also serve. Several persons serve as ex officio members. The Committee exercised total control over the operations of the Coalition including budgeting, appropriating, contracting, and designating management. Each participant's control is limited to its representation on the board. The membership of the coalition includes over 500 school districts throughout the State of Ohio. Member school districts, joint vocational schools, and educational service centers pay annual dues and supplemental dues based on their pupil enrollment. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest or financial responsibility for the Coalition. During fiscal year 2019, the School District paid \$1,003 to the Coalition. The fiscal agent for the Coalition is the Muskingum Valley Educational Service Center. Financial information may be obtained from the Ohio Coalition of Equity and Adequacy of School Funding at 100 South Third Street, Columbus, Ohio 43215.

**Note 19 - Insurance Purchasing Pools**

**Ohio School Boards Association Workers' Compensation Group Rating Program**

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

**Schools of Ohio Risk Sharing Authority**

The School District participates in the Schools of Ohio Risk Sharing Authority (SORSA), a protected self-insurance purchasing pool under the authority of the Ohio Revised Code 2744. One hundred six school districts, educational service centers, and joint vocational school districts participate in the SORSA. SORSA is governed by a body elected by members. Members agree to jointly participate in coverages of losses and pay all contributions necessary for the specified insurance coverage's provided by SORSA. These coverage's include comprehensive general liability, automobile liability, certain property insurance, and public officials errors and omissions liability insurance.

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
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**Ohio School Boards Association Insurance Trust**

The School District participates in the Ohio School Boards Association (OSBA) Insurance Trust, an insurance purchasing pool. The OSBA Insurance Trust helps its members purchase life insurance at a discounted rate. The organization is composed of 11 members, which includes school districts and educational service centers. The governing board of the OSBA Insurance Trust is composed of a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program.

**Ohio School Benefits Cooperative**

The School District participates in the Ohio School Benefits Cooperative, a claims servicing and group purchasing pool comprised of more than fifteen members. The Ohio School Benefits Cooperative (OSBC) is created and organized pursuant to and as authorized by Section 9.833 of the Ohio Revised Code. OSBC is governed by a nine member Board of Directors, all of whom must be school district and/or educational service center administrators. The Muskingum Valley Educational Service Center serves as the fiscal agent for OSBC. OSBC is an unincorporated, non-profit association of its members which was created for the purpose of enabling members of the Plan to maximize benefits and/or reduce costs of medical, prescription drug, vision, dental, life, and/or other group insurance coverage for their employees, and the eligible dependents and designated beneficiaries of such employees.

Participants pay an initial \$500 membership fee to OSBC. OSBC offers two options to participants. Participants may enroll in the joint insurance purchasing program for medical, prescription drug, vision dental and/or life insurance. A second option is available for self-insured participants that provides for the purchase of stop loss insurance coverage through OSBC's third party administrator. Medical Mutual/Antares is the Administrator of the OSBC. During fiscal year 2019, the School District elected to participate in the self-insured joint insurance program for medical, prescription drug, dental, and vision coverage.

**Note 20 - Related Party Transactions and Special Items**

During fiscal year 2019, the School District provided educational management information systems coordinating services and other administrative services to the FLCS in the amount of \$755,474.

On June 30, 2019, the operations of the FLCS's were transferred to the Sponsor, Franklin Local School District, pursuant to an agreement entered into between the Ohio Department of Education and the Franklin Local School District. The agreement provided for the transfer of assets from FLCS to the Franklin Local School District. The Franklin Local School District agreed to assume all liabilities of FLCS. The programs previously operated by FLCS will be operated by the Franklin Local School District. The special item that is recorded for the School District is the cash transfer in the amount of \$42,532.

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
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**Note 21 - Set-asides**

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 fiscal year end or offset by similarly restricted resources received during the year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future years. In prior fiscal years, the School District was also required to set-aside money for budget stabilization and textbooks.

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

	Capital Improvements Reserve
Set-aside Reserve Balance as of June 30, 2018	\$0
Current Year Set-aside Requirement	358,837
Current Year Offsets	(3,151,589)
Qualifying Disbursements	(203,817)
Total	(\$2,996,569)
Set-aside Balance Carried Forward to Future Fiscal Years	\$0

The School District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount below zero. The excess in the capital maintenance set-aside may not be carried forward to reduce the set-aside requirement in future years.

**Note 22 - Contingencies**

**Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the 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, 2019.

**School Foundation**

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2019 have been finalized. As a result, the FTE adjustments were recorded as a receivable on the fiscal year 2019 financial statements.

**Litigation**

As of June 30, 2019, the School District is not a party to any lawsuits.

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
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**Note 23 - Franklin Local Community School Component Unit and Special Item**

**Basis of Presentation**

The FLCS' basic financial statements consist of a statement of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows.

FLCS uses a single enterprise presentation for its financial records. Enterprise reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows.

**Related Party Transactions**

Franklin Local School District, the Sponsor, appoints each of FLCS' five board members from the general public. FLCS is presented as a component unit of the Sponsor. For fiscal year 2019, \$755,474 was provided by the Sponsor for administrative, fiscal, and student services provided to FLCS. FLCS is located in a portion of facilities previously utilized by the Sponsor. During fiscal year 2019, the remaining assets consisting of cash in the amount of \$42,532 were transferred to the Sponsor.

**Special Item – Transfer of Operation of Franklin Local Community School**

On June 30, 2019, the operations of the FLCS's were transferred to the Sponsor, Franklin Local School District, pursuant to an agreement entered into between the Ohio Department of Education and the Franklin Local School District. The agreement provided for the transfer of assets from FLCS to the Franklin Local School District. The Franklin Local School District agreed to assume all liabilities of FLCS. The programs previously operated by FLCS will be operated by the Franklin Local School District.

FLCS is reporting a special item representing costs directly related to the transfer of operations. This amount includes the remaining cash balances that were transferred to Franklin Local School District as of June 30, 2019. Also due to the transfer of operations, unspent State and federal grant money was returned to the grantor. Capital assets remaining were transferred to the Sponsor. A summary of principal items included as a special item on the Statement of Revenues, Expenses, and Changes in Net Position follows:

	<u>Amounts</u>
Cash transferred to Sponsor	\$42,532
State and Federal Grant Money	13,635
Capital Asset Transfers	<u>5,076</u>
Total Special Item	<u><u>\$61,243</u></u>

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**Franklin Local School District, Ohio**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*School Employees Retirement System of Ohio*  
*Last Six Fiscal Years (1)*

	2019	2018	2017
School District's Proportion of the Net Pension Liability	0.09322450%	0.09958300%	0.09691620%
School District's Proportionate Share of the Net Pension Liability	\$5,339,140	\$5,949,864	\$7,093,371
School District's Covered Payroll	\$3,166,104	\$3,183,679	\$3,024,821
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	168.63%	186.89%	234.51%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.36%	69.50%	62.98%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information



2016	2015	2014
0.10015230%	0.10316400%	0.10316400%
\$5,714,787	\$5,221,071	\$6,134,832
\$2,989,560	\$2,830,079	\$3,060,351
191.16%	184.48%	200.46%
69.16%	71.70%	65.52%

**Franklin Local School District, Ohio**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net OPEB Liability*  
*School Employees Retirement System of Ohio*  
*Last Three Fiscal Years (1)*

	2019	2018	2017
School District's Proportion of the Net OPEB Liability	0.09468580%	0.10092960%	0.09817860%
School District's Proportionate Share of the Net OPEB Liability	\$2,626,840	\$2,708,685	\$2,798,453
School District's Covered Payroll	\$3,166,104	\$3,183,679	\$3,024,821
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	82.97%	85.08%	92.52%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	13.57%	12.46%	11.49%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information

**Franklin Local School District, Ohio**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*State Teachers Retirement System of Ohio*  
*Last Six Fiscal Years (1)*

	2019	2018	2017
School District's Proportion of the Net Pension Liability	0.08369804%	0.08433844%	0.08895376%
School District's Proportionate Share of the Net Pension Liability	\$18,403,321	\$20,034,777	\$29,775,504
School District's Covered Payroll	\$9,538,343	\$9,301,686	\$9,342,693
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	192.94%	215.39%	318.70%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.30%	75.30%	66.80%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information

2016	2015	2014
0.09023920%	0.09364744%	0.09364744%
\$24,939,475	\$22,778,298	\$27,133,360
\$9,415,186	\$9,521,862	\$9,993,000
264.89%	239.22%	271.52%
72.10%	74.70%	69.30%

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**Franklin Local School District, Ohio**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net OPEB (Asset) Liability*  
*State Teachers Retirement System of Ohio*  
*Last Three Fiscal Years (1)*

	2019	2018	2017
School District's Proportion of the Net OPEB (Asset) Liability	0.08369804%	0.08433844%	0.08895376%
School District's Proportionate Share of the Net OPEB (Asset) Liability	(\$1,344,943)	\$3,290,575	\$4,757,270
School District's Covered Payroll	\$9,538,343	\$9,301,686	\$9,342,693
School District's Proportionate Share of the Net OPEB (Asset) Liability as a Percentage of its Covered Payroll	-14.10%	35.38%	50.92%
Plan Fiduciary Net Position as a Percentage of the Total OPEB (Asset) Liability	176.00%	47.10%	37.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information

**Franklin Local School District, Ohio**  
*Required Supplementary Information*  
*Schedule of the School District's Contributions*  
*School Employees Retirement System of Ohio*  
*Last Ten Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>Net Pension Liability</b>				
Contractually Required Contribution	\$437,555	\$427,424	\$445,715	\$423,475
Contributions in Relation to the Contractually Required Contribution	<u>(437,555)</u>	<u>(427,424)</u>	<u>(445,715)</u>	<u>(423,475)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$3,241,148	\$3,166,104	\$3,183,679	\$3,024,821
Pension Contributions as a Percentage of Covered Payroll	<u>13.50%</u>	<u>13.50%</u>	<u>14.00%</u>	<u>14.00%</u>
<b>Net OPEB Liability</b>				
Contractually Required Contribution (2)	\$75,055	\$67,471	\$54,435	\$49,527
Contributions in Relation to the Contractually Required Contribution	<u>(75,055)</u>	<u>(67,471)</u>	<u>(54,435)</u>	<u>(49,527)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>2.32%</u>	<u>2.13%</u>	<u>1.71%</u>	<u>1.64%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>15.82%</u>	<u>15.63%</u>	<u>15.71%</u>	<u>15.64%</u>

(1) The School District's covered payroll is the same for Pension and OPEB.

(2) Includes Surcharge

See accompanying notes to the required supplementary information

2015	2014	2013	2012	2011	2010
\$394,024	\$392,249	\$423,553	\$362,902	\$375,348	\$284,170
(394,024)	(392,249)	(423,553)	(362,902)	(375,348)	(284,170)
\$0	\$0	\$0	\$0	\$0	\$0
\$2,989,560	\$2,830,079	\$3,060,351	\$2,698,157	\$2,986,063	\$2,098,748
13.18%	13.86%	13.84%	13.45%	12.57%	13.54%
\$73,950	\$52,680	\$46,977	\$57,591	\$86,148	\$43,219
(73,950)	(52,680)	(46,977)	(57,591)	(86,148)	(43,219)
\$0	\$0	\$0	\$0	\$0	\$0
2.47%	1.86%	1.54%	2.13%	2.89%	2.06%
15.65%	15.72%	15.38%	15.58%	15.45%	15.60%

**Franklin Local School District, Ohio**  
*Required Supplementary Information*  
*Schedule of the School District's Contributions*  
*State Teachers Retirement System of Ohio*  
*Last Ten Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>Net Pension Liability</b>				
Contractually Required Contribution	\$1,367,308	\$1,335,368	\$1,302,236	\$1,307,977
Contributions in Relation to the Contractually Required Contribution	<u>(1,367,308)</u>	<u>(1,335,368)</u>	<u>(1,302,236)</u>	<u>(1,307,977)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$9,766,486	\$9,538,343	\$9,301,686	\$9,342,693
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
<b>Net OPEB Liability</b>				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

(1) The School District's covered payroll is the same for Pension and OPEB.

See accompanying notes to the required supplementary information



<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$1,318,126	\$1,237,842	\$1,299,090	\$1,213,391	\$1,211,111	\$1,159,259
<u>(1,318,126)</u>	<u>(1,237,842)</u>	<u>(1,299,090)</u>	<u>(1,213,391)</u>	<u>(1,211,111)</u>	<u>(1,159,259)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$9,415,186	\$9,521,862	\$9,993,000	\$9,333,777	\$9,316,238	\$8,917,377
<u>14.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>
\$0	\$95,219	\$99,930	\$93,338	\$93,162	\$89,174
<u>0</u>	<u>(95,219)</u>	<u>(99,930)</u>	<u>(93,338)</u>	<u>(93,162)</u>	<u>(89,174)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>0.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

**Franklin Local School District, Ohio**  
*Notes to Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2019*

**Net Pension Liability**

**Changes in Assumptions – SERS**

Beginning in fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc Cola. Prior to 2018, an assumption of 3 percent was used.

Beginning with fiscal year 2017, amounts reported incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in fiscal year 2016 and prior are presented below:

	Fiscal Year 2017	Fiscal Year 2016 and Prior
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Beginning with fiscal year 2017, mortality assumptions use mortality rates that are 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. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

**Changes in Assumptions - STRS**

Beginning with fiscal year 2018, amounts reported incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2017 and prior are presented below:

	Fiscal Year 2018	Fiscal Year 2017 and Prior
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

**Franklin Local School District, Ohio**  
*Notes to Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2019*

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Beginning with fiscal year 2018, 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. 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. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

### **Net OPEB Liability**

#### **Changes in Assumptions – SERS**

Amounts reported incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:	
Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

#### **Changes in Assumptions – STRS**

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45.

**Franklin Local School District, Ohio**  
*Notes to Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2019*

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**Changes in Benefit Terms – STRS OPEB**

For fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2020.

For fiscal year 2019, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

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**FRANKLIN LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass Through Entity Identifying Number</b>	<b>Total Federal Receipts</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed Through Ohio Department of Education</i>				
Child Nutrition Cluster				
Non-Cash Assistance (Food Distribution):				
School Breakfast Program	10.553	2018/2019	\$7,801	\$7,801
National School Lunch Program	10.555	2018/2019	70,206	70,206
Non-Cash Assistance Subtotal:			<u>78,007</u>	<u>78,007</u>
Cash Assistance:				
School Breakfast Program	10.553	2018/2019	251,331	251,331
National School Lunch Program	10.555	2018/2019	439,296	439,296
Summer Food Service Program for Children	10.559	2018/2019	23,880	23,880
Cash Assistance Subtotal:			<u>714,507</u>	<u>714,507</u>
Total Child Nutrition Cluster			<u>792,514</u>	<u>792,514</u>
Total U.S. Department of Agriculture			792,514	792,514
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed Through Ohio Department of Education</i>				
Title I Grants to Local Educational Agencies	84.010	2018 2019	156,971 556,060	103,910 599,330
Total Title I Grants to Local Educational Agencies			<u>713,031</u>	<u>703,240</u>
Special Education Cluster				
Special Education - Grants to States	84.027	2018 2019	85,853 357,257	59,950 391,711
Total Special Education - Grants to States			<u>443,110</u>	<u>451,661</u>
Special Education - Preschool Grants	84.173	2019	2,900	2,900
Total Special Education Cluster			446,010	454,561
Rural Education	84.358	2018 2019	27,271 31,356	12,308 31,356
Total Rural Education			<u>58,627</u>	<u>43,664</u>
Improving Teacher Quality State Grants	84.367	2018 2019	24,916 62,344	15,410 68,895
Total Improving Teacher Quality State Grants			<u>87,260</u>	<u>84,305</u>
Student Support and Academic Enrichment State Grants	84.424A	2019	44,105	43,875
Total U.S. Department of Education			<u>1,349,033</u>	<u>1,329,645</u>
<b>Total Receipts and Expenditures of Federal Awards</b>			<b><u>\$2,141,547</u></b>	<b><u>\$2,122,159</u></b>

*The accompanying notes are an integral part of this Schedule.*

**FRANKLIN LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
2 CFR § 200.510(b)(6)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) includes the federal award activity of Franklin Local School District (the School District) under programs of the federal government for the year ended June 30, 2019. 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 School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE C – INDIRECT COST RATE**

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

**NOTE E – FOOD DONATION PROGRAM**

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

# OHIO AUDITOR OF STATE KEITH FABER



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

Franklin Local School District  
Muskingum County  
360 Cedar Street  
P.O. Box 428  
Duncan Falls, Ohio 43734

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Franklin Local School District, Muskingum County, Ohio, (the School District) as of and for the year ended June 30, 2019, 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 February 10, 2020 wherein we noted the School District's discretely presented component unit, the Franklin Local Community School, closed on June 30, 2019 and transferred operations, assets and liabilities to 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) to determine the 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 determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the 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

February 10, 2020

# OHIO AUDITOR OF STATE KEITH FABER



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## 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 Local School District  
Muskingum County  
360 Cedar Street  
P.O. Box 428  
Duncan Falls, Ohio 43734

To the Board of Education:

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

We have audited the Franklin Local School District's, Muskingum County, Ohio (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 the School District's major federal program for the year ended June 30, 2019. 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 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, 2019.

***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

February 10, 2020

**FRANKLIN LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2019**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Program (list):</b> <ul style="list-style-type: none"> <li>• Child Nutrition Cluster – CFDA Nos. 10.553, 10.555, 10.559</li> </ul>	
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee under 2 CFR § 200.520?</b>	Yes

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

None.

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

None.

# OHIO AUDITOR OF STATE KEITH FABER



**FRANKLIN LOCAL COMMUNITY SCHOOL  
MUSKINGUM COUNTY**

## **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 20, 2020**