



OHIO AUDITOR OF STATE  
**KEITH FABER**





**FRANKLIN LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY  
JUNE 30, 2020**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor’s Report .....	1
Prepared by Management:	
Management’s Discussion and Analysis .....	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position .....	15
Statement of Activities.....	16
Fund Financial Statements:	
Balance Sheet	
Governmental Funds .....	17
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities .....	18
Statement of Revenues, Expenditures and Changes in Fund Balance Governmental Funds.....	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	20
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis) General Fund.....	21
Statement of Fund Net Position	
Internal Service Fund .....	22
Statement of Changes in Revenues, Expenditures and Changes in Fund Internal Service Fund .....	23
Statement of Cash Flows	
Internal Service.....	24
Combing Statement of Change in Fiduciary Net Position	
Custodial Fund .....	25
Notes to the Basic Financial Statements.....	27
Required Supplementary Information:	
Schedule of the School District’s Proportionate Share of the Net Pension Liability School Employees Retirement System of Ohio – Last Seven Fiscal Years.....	70
Schedule of the School District’s Proportionate Share of the Net OPEB Liability School Employees Retirement System of Ohio – Last Four Fiscal Years.....	72

**FRANKLIN LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY  
JUNE 30, 2020**

**TABLE OF CONTENTS  
(Continued)**

<b>TITLE</b>	<b>PAGE</b>
Prepared by Management (Continued):	
Required Supplementary Information (Continued):	
Schedule of the School District's Proportionate Share of the Net Pension Liability State Teachers Retirement System of Ohio – Last Seven Fiscal Years .....	73
Schedule of the School District's Proportionate Share of the Net OPEB (Asset) Liability State Teachers Retirement System of Ohio – Last Four Fiscal Years .....	75
Schedule of the School District Contributions:	
School Employees Retirement System of Ohio – Last Ten Fiscal Years .....	76
State Teachers Retirement System of Ohio – Last Ten Fiscal Years .....	78
Notes to Required Supplementary Information.....	80
Schedule of Receipts and Expenditures of Federal Awards.....	83
Notes to the Schedule of Receipts and Expenditures of Federal Awards .....	84
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	85
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.....	87
Schedule of Findings.....	89

# OHIO AUDITOR OF STATE KEITH FABER



PO Box 828  
Athens, Ohio 45701  
(740) 594-3300 or (800) 441-1389  
SoutheastRegion@ohioauditor.gov

## 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, 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, 2020, 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.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2020, and the respective changes in financial position 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 Note 22 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School District. We did not modify our opinion regarding 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 17, 2021, 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 17, 2021

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**Franklin Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2020*  
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, 2020. 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 2020 are as follows:

- Net position of governmental activities increased \$1,445,065.
- General revenues accounted for \$25,749,349 in revenues or 79 percent of all revenues. Program specific revenues in the form of charges for services and sales, operating grants, contributions, and interest accounted for \$6,689,270 or 21 percent of total revenues of \$32,438,619.
- The School District had \$30,993,554 in expenses related to governmental activities; only \$6,689,270 of these expenses were offset by program specific charges for services and sales, operating grants, contributions, and interest. General revenues of \$25,749,349 were adequate to provide for these programs.

### **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.

### ***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 2020?" 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.

**Franklin Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2020*  
Unaudited

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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 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.

**Franklin Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2020*  
 Unaudited

**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 2020 compared to 2019.

Table 1 - Net Position

	Governmental Activities		
	2020	2019	Change
<b>Assets</b>			
Current and Other Assets	\$29,525,830	\$27,322,094	\$2,203,736
Net OPEB Asset	1,370,280	1,344,943	25,337
Capital Assets	27,572,134	28,786,216	(1,214,082)
<b>Total Assets</b>	<b>58,468,244</b>	<b>57,453,253</b>	<b>1,014,991</b>
<b>Deferred Outflows of Resources</b>			
Deferred Charge on Refunding	128,016	139,229	(11,213)
Pension	4,520,559	5,981,986	(1,461,427)
OPEB	577,138	306,494	270,644
<b>Total Deferred Outflows of Resources</b>	<b>5,225,713</b>	<b>6,427,709</b>	<b>(1,201,996)</b>
<b>Liabilities</b>			
Current and Other Liabilities	3,505,833	3,644,536	(138,703)
Long Term Liabilities:			
Due Within One Year	177,600	189,207	(11,607)
Due in More Than One Year:			
Net Pension Liability	24,164,497	23,742,461	422,036
Net OPEB Liability	2,515,807	2,626,840	(111,033)
Other Amounts	3,413,286	3,539,949	(126,663)
<b>Total Liabilities</b>	<b>33,777,023</b>	<b>33,742,993</b>	<b>34,030</b>
<b>Deferred Inflows of Resources</b>			
Property Taxes	5,278,316	6,011,729	(733,413)
Pension	2,014,216	2,927,591	(913,375)
OPEB	2,663,265	2,682,577	(19,312)
<b>Total Deferred Inflows of Resources</b>	<b>9,955,797</b>	<b>11,621,897</b>	<b>(1,666,100)</b>
<b>Net Position</b>			
Net Investment in Capital Assets	25,937,591	27,144,572	(1,206,981)
Restricted	3,639,170	2,098,482	1,540,688
Unrestricted (Deficits)	(9,615,624)	(10,726,982)	1,111,358
<b>Total Net Position</b>	<b>\$19,961,137</b>	<b>\$18,516,072</b>	<b>\$1,445,065</b>

The net pension liability (NPL) / net OPEB liability are two of the largest liabilities reported by the School District at June 30, 2020, 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

**Franklin Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2020*  
Unaudited

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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 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

**Franklin Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2020*  
Unaudited

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payments, State statute does not assign / identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

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 \$1,014,991. Current and other assets increased \$2,203,736 primarily due to an increase in cash and cash equivalents of \$1,947,044. The School District realized an increase in tax revenue as a result of increases in public utilities property values related to the recent construction of pipelines and compressor stations. This increase was offset by a decrease in capital assets. Capital assets decreased \$1,214,082 as a result of current year depreciation exceeding additions. The School District also reflects an OPEB asset in the amount of \$1,370,280, which is a slight increase of \$25,337. See Note 15 for more information on the OPEB asset.

Total deferred outflows of resources decreased in the amount of \$1,201,996. This decrease was primarily due to a decrease in the changes of assumptions related to the School District's proportionate share of the net pension.

Total liabilities increased \$34,030. Current and other liabilities decreased \$138,703 primarily due to the decrease in claims payable based on the actuarial figure provided for fiscal year 2020 compared to fiscal year 2019. Long-term liabilities increased \$172,733 due to the net effect between an increase in the net pension/OPEB liability in the amount of \$311,003 and a decrease in other long-term liabilities in the amount of \$138,270. The net pension/OPEB liability net increase represents the School District's proportionate share of the STRS and SERS unfunded benefits. Changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension/OPEB liability. The other long-term liabilities decrease was due to the principal payments made during the year.

Total deferred inflows of resources decreased \$1,666,100. This decrease was the result of three factors; a decrease in deferred inflows of resources for property taxes as a result of an updated debt structure, a decrease in deferred inflows of resources related to pension due to changes in proportionate share, and a decrease in deferred inflows of resources related to OPEB due to changes in assumptions.

Table 2 shows the changes in net position for the fiscal year ended June 30, 2020, and comparisons to fiscal year 2019.

**Franklin Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2020*  
 Unaudited

Table 2 - Changes in Net Position

	Governmental Activities		
	2020	2019	Change
<b>Revenues</b>			
Program Revenues:			
Charges for Services and Sales	\$2,005,561	\$1,870,721	\$134,840
Operating Grants, Contributions and Interest	4,683,709	3,311,335	1,372,374
Capital Grants and Contributions	0	15,000	(15,000)
Total Program Revenues	<u>6,689,270</u>	<u>5,197,056</u>	<u>1,492,214</u>
General Revenues:			
Property Taxes	13,062,518	11,643,615	1,418,903
Grants and Entitlements	12,265,307	12,638,716	(373,409)
Gain on Sale of Capital Assets	9,894	0	9,894
Investment Earnings	330,034	279,760	50,274
Miscellaneous	81,596	45,558	36,038
Total General Revenues	<u>25,749,349</u>	<u>24,607,649</u>	<u>1,141,700</u>
Total Revenues	<u>32,438,619</u>	<u>29,804,705</u>	<u>2,633,914</u>
<b>Program Expenses</b>			
Instruction:			
Regular	14,311,414	11,154,290	3,157,124
Special	3,431,597	2,652,633	778,964
Vocational	105,724	85,228	20,496
Intervention	318,349	188,832	129,517
Support Services:			
Pupils	1,163,327	904,685	258,642
Instructional Staff	799,472	727,477	71,995
Board of Education	126,246	136,739	(10,493)
Administration	2,302,733	1,744,784	557,949
Fiscal	671,026	541,378	129,648
Operation and Maintenance of Plant	3,088,034	2,953,673	134,361
Pupil Transportation	1,822,725	1,689,797	132,928
Central	269,161	138,429	130,732
Operation of Non-Instructional Services:			
Food Service Operations	1,393,717	1,341,598	52,119
Other	194,985	13,598	181,387
Extracurricular Activities	907,470	730,786	176,684
Interest and Fiscal Charges	87,574	146,017	(58,443)
Total Expenses	<u>30,993,554</u>	<u>25,149,944</u>	<u>5,843,610</u>
Special Items	0	42,532	(42,532)
Increase (Decrease) in Net Position	1,445,065	4,697,293	(3,252,228)
Net Position Beginning of Year - Restated	<u>18,516,072</u>	<u>13,818,779</u>	<u>4,697,293</u>
Net Position End of Year	<u>\$19,961,137</u>	<u>\$18,516,072</u>	<u>\$1,445,065</u>

Net position increased by \$1,445,065. Overall revenues reflect an increase of \$2,633,914, due to an increase in property taxes revenue of \$1,418,903 and an increase in operating grants, contributions, and interest of \$1,372,374. The increase in property taxes revenue is due mainly to the increase in public utilities property

**Franklin Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2020*  
 Unaudited

values. The increase in operating grants, contributions, and interest is due mainly to increases in state and federal grant programs. In fiscal year 2020, 40 percent of the School District's total revenues were from property taxes and 38 percent were from unrestricted grants and entitlements.

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 59 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 over the prior year in the amount of \$5,843,610, 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 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

	<u>Total Cost of Services</u> 2020	<u>Net Cost of Services</u> 2020	<u>Total Cost of Services</u> 2019	<u>Net Cost of Services</u> 2019
<b>Program Expenses</b>				
Instruction:				
Regular	\$14,311,414	\$12,286,260	\$11,154,290	\$8,548,382
Special	3,431,597	1,282,915	2,652,633	1,561,536
Vocational	105,724	65,841	85,228	45,345
Intervention	318,349	316,035	188,832	185,253
Support Services:				
Pupils	1,163,327	541,856	904,685	894,040
Instructional Staff	799,472	715,095	727,477	661,544
Board of Education	126,246	126,246	136,739	136,739
Administration	2,302,733	2,302,733	1,744,784	1,744,784
Fiscal	671,026	671,026	541,378	541,378
Operation and Maintenance of Plant	3,088,034	3,088,034	2,953,673	2,953,673
Pupil Transportation	1,822,725	1,792,538	1,689,797	1,662,187
Central	269,161	260,161	138,429	131,229
Operation of Non-Instructional Services:				
Food Service Operations	1,393,717	(70,824)	1,341,598	261,106
Other	194,985	187,195	13,598	1,087
Extracurricular Activities	907,470	651,599	730,786	478,588
Interest and Fiscal Charges	87,574	87,574	146,017	146,017
<b>Total</b>	<u>\$30,993,554</u>	<u>\$24,304,284</u>	<u>\$25,149,944</u>	<u>\$19,952,888</u>

**Franklin Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2020*  
 Unaudited

For fiscal year 2020, the dependence upon tax revenues and state subsidies for governmental activities reflects approximately 78 percent of expenses.

**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 \$26,763,886, expenditures of \$22,702,162, and net other financing sources (use) of (\$3,473,997), which resulted in an increase in fund balance of \$587,727. Total revenues increased by \$1,285,026 as a result of primarily an increase in the amount received for taxes revenue.

**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 2020, the School District amended its General Fund appropriations for Transfers Out. 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 taxes revenues collected as a result of recent construction on pipelines and compressor stations within the School District. Spending in the majority of all categories was lower than budgeted appropriations. The School District's ending General Fund balance was \$6,262,623.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2020, the School District had \$27,572,134 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2020 balances compared to 2019.

Table 4 - Capital Assets, Net of Depreciation

	Governmental Activities	
	2020	2019
Land	\$1,450,492	\$1,360,613
Construction in Progress	383,168	0
Land Improvements	2,145,882	2,341,093
Buildings and Improvements	21,181,120	22,831,553
Furniture and Equipment	1,011,509	858,392
Vehicles	1,399,963	1,394,565
Totals	\$27,572,134	\$28,786,216

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, 2020*  
 Unaudited

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***Debt***

At June 30, 2020, the School District had \$1,940,814 in bonds outstanding (including premiums and accretion). Table 5 shows fiscal year 2020 balance compared to 2019.

Table 5 - Outstanding Debt, at Fiscal Year End

	Governmental Activities	
	2020	2019
2012 School Building Construction Refunding Bonds	\$1,940,814	\$2,026,070

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 its most recent property valuation reappraisal in calendar year 2018. 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. These public utility construction projects are providing additional tax revenues for the School District in fiscal year 2020. The School District saw slight increases in open enrollment and overall enrollment was relatively flat in fiscal year 2020. The funding formula has resulted in no additional funding for the School District; however, the COVID Pandemic resulted in an approximately \$380,000 cut in state funding for the School District. The CARES Act passed by the Federal Government did provide some relief to the School District's state funding cut. 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, 2020*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$15,310,606
Cash in Segregated Accounts	1,757
Materials and Supplies Inventory	12,526
Inventory Held for Resale	21,423
Intergovernmental Receivable	942,959
Prepaid Items	121,711
Accrued Interest Receivable	34,053
Accounts Receivable	84,764
Property Taxes Receivable	12,996,031
Net OPEB Asset	1,370,280
Nondepreciable Capital Assets	1,833,660
Depreciable Capital Assets, Net	<u>25,738,474</u>
<i>Total Assets</i>	<u>58,468,244</u>
<b>Deferred Outflows of Resources</b>	
Deferred Charge on Refunding	128,016
Pension	4,520,559
OPEB	<u>577,138</u>
<i>Total Deferred Outflows of Resources</i>	<u>5,225,713</u>
<b>Liabilities</b>	
Accounts Payable	68,457
Accrued Wages and Benefits Payable	2,499,028
Contracts Payable	12,461
Matured Sick Leave Benefits Payable	87,350
Vacation Benefits Payable	82,212
Intergovernmental Payable	544,997
Accrued Interest Payable	3,364
Claims Payable	207,964
Long-Term Liabilities:	
Due Within One Year	177,600
Due In More Than One Year:	
Net Pension Liability	24,164,497
Net OPEB Liability	2,515,807
Other Amounts Due in More Than One Year	<u>3,413,286</u>
<i>Total Liabilities</i>	<u>33,777,023</u>
<b>Deferred Inflows of Resources</b>	
Property Taxes	5,278,316
Pension	2,014,216
OPEB	<u>2,663,265</u>
<i>Total Deferred Inflows of Resources</i>	<u>9,955,797</u>
<b>Net Position</b>	
Net Investment in Capital Assets	25,937,591
Restricted for:	
Food Service Operations	269,718
Classroom Facilities Maintenance	1,079,471
Debt Service	1,003,476
Capital Projects	869,311
Grant Programs	303,787
District Managed Student Activities	112,807
Unclaimed Monies	600
Unrestricted (Deficit)	<u>(9,615,624)</u>
<i>Total Net Position</i>	<u>\$19,961,137</u>

See accompanying notes to the basic financial statements

**Franklin Local School District, Ohio**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2020

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$14,311,414	\$1,501,160	\$523,994	(\$12,286,260)
Special	3,431,597	59,989	2,088,693	(1,282,915)
Vocational	105,724	0	39,883	(65,841)
Intervention	318,349	0	2,314	(316,035)
Support Services:				
Pupils	1,163,327	0	621,471	(541,856)
Instructional Staff	799,472	31,916	52,461	(715,095)
Board of Education	126,246	0	0	(126,246)
Administration	2,302,733	0	0	(2,302,733)
Fiscal	671,026	0	0	(671,026)
Operation and Maintenance of Plant	3,088,034	0	0	(3,088,034)
Pupil Transportation	1,822,725	0	30,187	(1,792,538)
Central	269,161	0	9,000	(260,161)
Operation of Non-Instructional Services:				
Food Service Operations	1,393,717	185,579	1,278,962	70,824
Other	194,985	0	7,790	(187,195)
Extracurricular Activities	907,470	226,917	28,954	(651,599)
Interest and Fiscal Charges	87,574	0	0	(87,574)
<i>Total Governmental Activities</i>	<u>\$30,993,554</u>	<u>\$2,005,561</u>	<u>\$4,683,709</u>	<u>(24,304,284)</u>
<b>General Revenues</b>				
Property Taxes Levied for:				
				11,796,005
				1,073,396
				193,117
				12,265,307
				9,894
				330,034
				81,596
				<u>25,749,349</u>
				1,445,065
				<u>18,516,072</u>
				<u>\$19,961,137</u>

See accompanying notes to the basic financial statements

**Franklin Local School District, Ohio**

*Balance Sheet  
Governmental Funds  
June 30, 2020*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$7,267,528	\$7,216,900	\$14,484,428
Cash in Segregated Accounts	0	1,757	1,757
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	600	0	600
Receivables:			
Property Taxes	11,741,438	1,254,593	12,996,031
Accounts	17,701	0	17,701
Intergovernmental	300,832	642,127	942,959
Interfund	396,347	35,719	432,066
Accrued Interest	33,407	646	34,053
Prepaid Items	121,711	0	121,711
Materials and Supplies Inventory	5,111	7,415	12,526
Inventory Held for Resale	0	21,423	21,423
<i>Total Assets</i>	<u>\$19,884,675</u>	<u>\$9,180,580</u>	<u>\$29,065,255</u>
<b>Liabilities</b>			
Accounts Payable	\$59,090	\$9,367	\$68,457
Interfund Payable	35,719	396,347	432,066
Accrued Wages and Benefits Payable	2,232,253	266,775	2,499,028
Contracts Payable	0	12,461	12,461
Matured Sick Leave Benefits Payable	87,350	0	87,350
Intergovernmental Payable	509,029	35,968	544,997
<i>Total Liabilities</i>	<u>2,923,441</u>	<u>720,918</u>	<u>3,644,359</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	4,778,025	500,291	5,278,316
Unavailable Revenue	1,925,431	346,544	2,271,975
<i>Total Deferred Inflows of Resources</i>	<u>6,703,456</u>	<u>846,835</u>	<u>7,550,291</u>
<b>Fund Balances</b>			
Nonspendable	127,422	7,415	134,837
Restricted	0	3,492,660	3,492,660
Committed	786,554	3,605,366	4,391,920
Assigned	6,459,177	576,988	7,036,165
Unassigned (Deficit)	2,884,625	(69,602)	2,815,023
<i>Total Fund Balances</i>	<u>10,257,778</u>	<u>7,612,827</u>	<u>17,870,605</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$19,884,675</u>	<u>\$9,180,580</u>	<u>\$29,065,255</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, 2020*

<b>Total Governmental Fund Balances</b>		<b>\$17,870,605</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.		27,572,134
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Delinquent Property Taxes	1,846,199	
Intergovernmental Revenues	166,112	
Tuition and Fees	229,117	
Investment Earnings	30,547	2,271,975
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.		684,677
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.		(82,212)
Deferred outflows of resources representing deferred charges on refundings do not provide current financial resources and therefore are not reported in the funds.		128,016
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Accrued Interest Payable	(3,364)	
School Improvement Bonds Payable	(1,940,814)	
Sick Leave Benefits Payable	(1,650,072)	(3,594,250)
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	1,370,280	
Deferred Outflows - Pension	4,520,559	
Deferred Inflows - Pension	(2,014,216)	
Net Pension Liability	(24,164,497)	
Deferred Outflows - OPEB	577,138	
Deferred Inflows - OPEB	(2,663,265)	
Net OPEB Liability	(2,515,807)	(24,889,808)
<b>Net Position of Governmental Activities</b>		<b>\$19,961,137</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, 2020*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Taxes	\$11,740,147	\$1,262,675	\$13,002,822
Intergovernmental	13,266,510	3,845,771	17,112,281
Investment Earnings	317,790	1,804	319,594
Charges for Services and Sales	0	185,579	185,579
Tuition and Fees	1,345,355	32,600	1,377,955
Gifts and Donations	12,509	16,109	28,618
Extracurricular Activities	9,469	217,448	226,917
Miscellaneous	72,106	9,490	81,596
<i>Total Revenues</i>	<u>26,763,886</u>	<u>5,571,476</u>	<u>32,335,362</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	12,005,268	947,743	12,953,011
Special	1,997,001	1,203,698	3,200,699
Vocational	91,140	0	91,140
Intervention	271,818	2,545	274,363
Support Services:			
Pupils	684,245	427,952	1,112,197
Instructional Staff	669,166	74,603	743,769
Board of Education	126,246	0	126,246
Administration	2,117,453	0	2,117,453
Fiscal	607,472	22,266	629,738
Operation and Maintenance of Plant	1,756,752	170,022	1,926,774
Pupil Transportation	1,444,389	0	1,444,389
Central	216,402	9,000	225,402
Operation of Non-Instructional Services:			
Food Service Operations	1,748	1,095,507	1,097,255
Other	190,314	8,940	199,254
Extracurricular Activities	505,628	207,207	712,835
Capital Outlay	17,120	1,966,735	1,983,855
Debt Service:			
Principal Retirement	0	15,000	15,000
Interest and Fiscal Charges	0	41,755	41,755
Interest on Capital Appreciation Bonds	0	125,000	125,000
<i>Total Expenditures</i>	<u>22,702,162</u>	<u>6,317,973</u>	<u>29,020,135</u>
<i>Excess of Revenues Over(Under) Expenditures</i>	<u>4,061,724</u>	<u>(746,497)</u>	<u>3,315,227</u>
<b>Other Financing Sources (Use)</b>			
Transfers In	0	3,139,498	3,139,498
Proceeds from Sale of Capital Assets	15,501	0	15,501
Transfers Out	(3,489,498)	0	(3,489,498)
<i>Total Other Financing Sources (Use)</i>	<u>(3,473,997)</u>	<u>3,139,498</u>	<u>(334,499)</u>
<i>Net Change in Fund Balance</i>	587,727	2,393,001	2,980,728
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	<u>9,670,051</u>	<u>5,219,826</u>	<u>14,889,877</u>
<i>Fund Balances End of Year</i>	<u>\$10,257,778</u>	<u>\$7,612,827</u>	<u>\$17,870,605</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, 2020*

<b>Net Change in Fund Balances - Total Governmental Funds</b>		<b>\$2,980,728</b>
<i>Amounts reported for governmental activities in the statement of activities are different because</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay:		
Capital Asset Additions	1,058,153	
Depreciation Expense	(2,266,628)	(1,208,475)
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:		
Gain on Disposal of Capital Assets	9,894	
Proceeds from the sale of capital assets	(15,501)	(5,607)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Delinquent Property Taxes	37,218	
Intergovernmental Revenues	(194,143)	
Tuition and Fees	215,110	
Investment Earnings	12,700	
Miscellaneous	(39,655)	31,230
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
		15,000
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:		
Capital Appreciation Bond Matured Accretion	125,000	
Accrued Interest Payable	20,138	
Amortization of Serial Premium	15,775	
Amortization of Deferred Amount on Refunding	(11,213)	
Annual Accretion	(70,519)	79,181
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.		
		60,471
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	(16,715)	
Sick Leave Benefits Payable	53,014	36,299
Contractually required contributions are reported as expenditures in the governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	1,883,634	
OPEB	54,123	1,937,757
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	(2,853,722)	
OPEB	372,203	(2,481,519)
<i>Change in Net Position of Governmental Activities</i>		<u><u>\$1,445,065</u></u>

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, 2020*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$10,180,831	\$10,180,831	\$11,103,260	\$922,429
Intergovernmental	13,461,388	13,461,388	13,226,797	(234,591)
Investment Earnings	171,402	171,402	226,023	54,621
Charges for Services	10,000	10,000	0	(10,000)
Tuition and Fees	1,312,547	1,312,547	1,345,455	32,908
Gifts and Donations	299	299	5,000	4,701
Miscellaneous	33,694	33,694	5,545	(28,149)
<i>Total Revenues</i>	25,170,161	25,170,161	25,912,080	741,919
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	12,098,730	12,098,730	11,934,623	164,107
Special	1,834,303	1,834,303	1,978,291	(143,988)
Vocational	109,636	109,636	96,772	12,864
Intervention	246,991	246,991	266,325	(19,334)
Support Services:				
Pupils	1,022,286	1,022,286	652,036	370,250
Instructional Staff	670,974	670,974	665,280	5,694
Board of Education	186,863	186,863	134,427	52,436
Administration	1,967,930	1,967,930	2,043,103	(75,173)
Fiscal	542,896	542,896	608,213	(65,317)
Operation and Maintenance of Plant	1,907,878	1,907,878	1,732,285	175,593
Pupil Transportation	1,542,319	1,542,319	1,384,951	157,368
Central	149,279	149,279	210,032	(60,753)
Operation of Non-Instructional Services:				
Food Service Operations	88,532	88,532	186,045	(97,513)
Extracurricular Activities	488,682	488,682	509,006	(20,324)
Capital Outlay	231,280	231,280	30,405	200,875
<i>Total Expenditures</i>	23,088,579	23,088,579	22,431,794	656,785
<i>Excess of Revenues Over Expenditures</i>	2,081,582	2,081,582	3,480,286	1,398,704
<b>Other Financing Sources (Uses)</b>				
Advances In	160,000	160,000	260,000	100,000
Proceeds from Sale of Capital Assets	3,001	3,001	3,001	0
Advances Out	(160,000)	(160,000)	(260,000)	(100,000)
Transfers Out	(2,735,926)	(3,735,926)	(3,489,498)	246,428
<i>Total Other Financing Sources (Uses)</i>	(2,732,925)	(3,732,925)	(3,486,497)	246,428
<i>Net Change in Fund Balance</i>	(651,343)	(1,651,343)	(6,211)	1,645,132
<i>Fund Balance Beginning of Year</i>	6,092,315	6,092,315	6,092,315	0
<i>Prior Year Encumbrances Appropriated</i>	176,519	176,519	176,519	0
<i>Fund Balance End of Year</i>	\$5,617,491	\$4,617,491	\$6,262,623	\$1,645,132

See accompanying notes to the basic financial statements

**Franklin Local School District, Ohio**

*Statement of Fund Net Position*

*Internal Service Fund*

*June 30, 2020*

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	Medical-Dental Insurance
<b>Current Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$825,578
Accounts Receivable	<u>67,063</u>
<i>Total Assets</i>	892,641
<b>Current Liabilities</b>	
Claims Payable	<u>207,964</u>
<b>Net Position</b>	
Unrestricted	<u><u>\$684,677</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, 2020*

	Medical-Dental Insurance
<b>Operating Revenues</b>	
Charges for Services	\$3,757,118
<b>Operating Expenses</b>	
Purchased Services	508,873
Claims	3,537,774
<i>Total Operating Expenses</i>	4,046,647
<i>Operating Loss</i>	(289,529)
Transfers In	350,000
<i>Change in Net Position</i>	60,471
<i>Net Position Beginning of Year</i>	624,206
<i>Net Position End of Year</i>	\$684,677

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, 2020

	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	\$3,690,055
Cash Payments to Suppliers for Services	(508,873)
Cash Payments for Claims	(3,708,559)
<i>Net Cash Used by Operating Activities</i>	(527,377)
<b>Cash Flows from Noncapital Financing Activities</b>	
Transfers In	350,000
<i>Net Decrease in Cash and Cash Equivalents</i>	(177,377)
<i>Cash and Cash Equivalents Beginning of Year</i>	1,002,955
<i>Cash and Cash Equivalents End of Year</i>	\$825,578
<b>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</b>	
Operating Loss	(\$289,529)
<b>Changes in Liabilities</b>	
Increase in Accounts Receivable	(67,063)
Decrease in Claims Payable	(170,785)
<i>Net Cash Used for Operating Activities</i>	(\$527,377)

See accompanying notes to the basic financial statements

**Franklin Local School District, Ohio**  
*Statement of Changes in Fiduciary Net Position*  
*Custodial Fund*  
*For the Fiscal Year Ended June 30, 2020*

	Custodial
<b>Additions</b>	
Charges Received for the Ohio High School Athletic Association	\$12,405
<b>Deductions</b>	
Distributions to the Ohio High School Athletic Association	12,405
<i>Change in Net Position</i>	0
<i>Net Position Beginning of Year</i>	0
<i>Net Position End of Year</i>	\$0

See accompanying notes to the basic financial statements

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**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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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 100 classified employees, 153 certificated full-time teaching personnel, and 15 administrative employees who provide services to 2,007 students and other community members. The School District currently operates five instructional buildings, 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 has no component units.

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.

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**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.

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. Custodial 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.



**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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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.

***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 (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that has certain characteristics. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The School District has one custodial fund which is used to account for Ohio High School Athletic Association (OHSAA) monies.

**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, all proprietary and fiduciary funds are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of fund net position. In fiduciary funds, a liability to the beneficiaries of fiduciary activity is recognized when an event has occurred that compels the government to disburse fiduciary resources. Fiduciary fund liabilities other than those to beneficiaries are recognized using the economic resources measurement focus.

For proprietary funds, the statement of revenues, expenses and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds present a statement of changes in fiduciary net position which reports additions to and deductions from investment trust, private purpose trust funds, and custodial funds.

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**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. 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, 2020, but which were levied to finance fiscal year 2021 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

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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period. For the School District, unavailable revenue includes delinquent property taxes, intergovernmental revenues, tuition and fees, and investment earnings. 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 18. 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)

***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 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 2020, investments were limited to negotiable certificates of deposit. Investments in these 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 2020 amounted to \$317,790, which includes \$126,754 assigned from other School District funds.

The School District has a segregated bank account for the District Managed Activities 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.

**Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2020, 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.

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**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:

<u>Description</u>	<u>Estimated Lives</u>
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. Unclaimed monies that are required to be held for five years before they may be utilized by the School District are reported as restricted.

**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

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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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 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.

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**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 2021'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.

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**

On government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums are amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount 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.

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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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.

**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.

**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.

**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, except custodial funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of 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

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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.

**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 and Restatements of Fund Balances and Net Position**

The Governmental Accounting Standards Board (GASB) recently issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The School District evaluated implementing these certain GASB pronouncements based on the guidance in GASB 95.

For fiscal year 2020, the School District implemented the Governmental Accounting Standards Board’s (GASB) *Implementation Guide No. 2018-1*. These changes were incorporated in the School District’s 2020 financial statements; however, there was no effect on beginning net position/fund balance.

For fiscal year 2020, the School District also implemented GASB Statement No. 84, *Fiduciary Activities* and related guidance from (GASB) *Implementation Guide No. 2019-2, Fiduciary Activities*. GASB Statement No. 84 established specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the School District will no longer be reporting agency funds. The School District reviewed its agency funds and certain funds will be reported in the new fiduciary fund classification of custodial funds, while other funds have been reclassified as governmental funds. These fund reclassifications resulted in the restatement of the School District’s financial statements.

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

The implementation of GASB Statement No. 84 had the following effect on fund balance as of June 30, 2019:

	Governmental Funds		Total
	General	Non Major	
Fund Balances, June 30, 2019	\$9,670,051	\$5,166,259	\$14,836,310
Adjustments:			
GASB 84	0	53,567	53,567
Restated Fund Balances, June 30, 2019	\$9,670,051	\$5,219,826	\$14,889,877



**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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The implementation of GASB Statement No. 84 had the following effect on net position as of June 30, 2019:

	Governmental Activities
Net Position June 30, 2019	\$18,462,505
Adjustments:	
GASB 84	53,567
Restated Net Position June 30, 2019	\$18,516,072

**Note 4 - Accountability**

The following funds had a deficit fund balances as of June 30, 2020:

<u>Special Revenue Funds:</u>	
Title IDEA-B	(\$23,742)
Title I	(45,534)
Title II-A	(326)

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.

**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:

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

Fund Balances	General	Other Governmental Funds	Total
<u>Nonspendable:</u>			
Prepays	\$121,711	\$0	\$121,711
Materials and Supplies Inventory	5,111	7,415	12,526
Unclaimed Monies	600	0	600
<i>Total Nonspendable</i>	<u>127,422</u>	<u>7,415</u>	<u>134,837</u>
<u>Restricted for:</u>			
Food Service Operations	0	360,680	360,680
Classroom Facilities Maintenance	0	1,047,720	1,047,720
Debt Service	0	1,006,840	1,006,840
Capital Projects	0	767,639	767,639
Grant Programs	0	196,974	196,974
District Managed Student Activities	0	112,807	112,807
<i>Total Restricted</i>	<u>0</u>	<u>3,492,660</u>	<u>3,492,660</u>
<u>Committed to:</u>			
Scholarships	0	38,326	38,326
After School Programs	0	38,363	38,363
Capital Improvements	0	3,528,677	3,528,677
Severance Payments	786,554	0	786,554
<i>Total Committed</i>	<u>786,554</u>	<u>3,605,366</u>	<u>4,391,920</u>
<u>Assigned to:</u>			
Capital Improvements	0	576,988	576,988
Public School Support	187,055	0	187,055
Purchases on Order	46,163	0	46,163
Assigned to Subsequent Year's Appropriations	<u>6,225,959</u>	<u>0</u>	<u>6,225,959</u>
<i>Total Assigned</i>	<u>6,459,177</u>	<u>576,988</u>	<u>7,036,165</u>
<u>Unassigned:</u>	<u>2,884,625</u>	<u>(69,602)</u>	<u>2,815,023</u>
<i>Total Fund Balances</i>	<u>\$10,257,778</u>	<u>\$7,612,827</u>	<u>\$17,870,605</u>

**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:

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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.

Net Change in Fund Balance	
GAAP Basis	\$587,727
Net Adjustment for Revenue Accruals	(971,029)
Prepaid Items:	
Beginning of Fiscal Year	117,755
End of Fiscal Year	(121,711)
Unreported Cash:	
Beginning of Fiscal Year	31,232
End of Fiscal Year	(28,530)
Fair Market Value:	
Beginning of Fiscal Year	(15,587)
End of Fiscal Year	(77,551)
Negative cash advance to other funds	216,847
Net Adjustment for Expenditure Accruals	181,515
Advances In	260,000
Advances Out	(260,000)
To reclassify excess of revenues and other sources of financial resources over expenditures and other uses of financial resources into financial statement fund types.	128,433
Adjustment for Encumbrances	(55,312)
Budget Basis	<u><u>(\$6,211)</u></u>

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**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.

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;

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

7. The State Treasurer’s investment pool (STAR Ohio); and
8. Certain bankers’ acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met. The investment in commercial paper notes of a single issuer shall not exceed in the aggregate five percent of interim moneys available for investment at the time of purchase.

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.

***Investments***

Investments are reported at fair value. As of June 30, 2020, 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				
Negotiable Certificates of Deposit	\$246,884	Less than one year	N/A	7.70%
Negotiable Certificates of Deposit	<u>2,959,667</u>	More than one year	N/A	92.30%
Total Investments	<u>\$3,206,551</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, 2020. 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.

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**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.

**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 2020 represents collections of calendar year 2019 taxes. Real property taxes received in calendar year 2020 were levied after April 1, 2019, on the assessed value listed as of January 1, 2019, 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 2020 represents collections of calendar year 2019 taxes. Public utility real property taxes received in calendar year 2020 became a lien December 31, 2018, were levied after April 1, 2019, 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, 2020, are available to finance fiscal year 2020 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, 2020, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 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, 2020, was \$5,871,516 and is recognized as revenue: \$5,297,099 in the General Fund, \$86,262 in the Classroom Facilities Maintenance Special Revenue Fund, and \$488,155 in the Permanent Improvement Capital Projects Fund. 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 assessed values upon which the fiscal year 2020 taxes were collected are:

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

	2019 Second- Half Collections		2020 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$224,448,200	51.89%	\$226,058,350	47.14%
Public Utility Personal	208,101,330	48.11%	253,477,060	52.86%
<b>Total</b>	<b>\$432,549,530</b>	<b>100.00%</b>	<b>\$479,535,410</b>	<b>100.00%</b>
Tax Rate per \$1,000 of assessed valuation	\$34.70		\$34.40	

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, 2020, consisted of property taxes, accrued interest, accounts (tuition and fees, miscellaneous, and intergovernmental), interfund, and intergovernmental. 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 \$1,846,199 as of June 30, 2020.

A summary of intergovernmental receivables are as follows:

	<u>Amounts</u>
<b>Governmental Activities:</b>	
School Lunch Reimbursement	\$26,045
Early Childhood Education	24,000
Idea Part B	94,358
Title I	243,415
Rural and Low Income	18,841
State Foundation Adjustment	211,541
Title II-A	23,263
CARES Act	202,847
School Employees Retirement System Refund	76,098
Miscellaneous Reimbursements	22,551
<b>Total</b>	<b>\$942,959</b>

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**Note 10 - Interfund Balances and Transfers**

**Interfund Balances**

Interfund balances at June 30, 2020, consist of the following individual fund receivables and payables:

	Interfund Payable	Interfund Receivable
<b>Governmental Funds:</b>		
General Fund	\$35,719	\$396,347
Other Nonmajor Governmental Funds:		
Early Childhood Education	24,000	0
Network Connectivity	9,000	0
Title IDEA-B	45,000	25,734
Title I	55,000	0
Title II-A	25,000	2,895
CARES Act	202,847	0
Miscellaneous Federal Grants	35,500	7,090
Total Other Nonmajor Governmental Funds	396,347	35,719
<b>Total All Funds</b>	<b>\$432,066</b>	<b>\$432,066</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. Of the amounts above, \$216,847 represents the amount due to the General Fund from Special Revenue Funds for cash deficits.

**Transfers**

The School District transferred \$2,239,498 from the General Fund to the Capital Project Fund for various construction and maintenance projects for the School District.

The School District transferred \$900,000 from the General Fund to the Bond Retirement Fund to assist in the payment of long-term debt.

The School District transferred \$350,000 from the General Fund to the Self-Insurance Internal Service Fund. This transfer was made in order to maintain a working balance in this fund.



**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2020

**Note 11 - Capital Assets**

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

	Balance 6/30/2019	Additions	Retirements	Balance 6/30/2020
Capital Assets:				
Capital Assets not being depreciated:				
Land	\$1,360,613	\$89,879	\$0	\$1,450,492
Construction in Progress	0	383,168	0	383,168
Total Capital Assets not being Depreciated	<u>1,360,613</u>	<u>473,047</u>	<u>0</u>	<u>1,833,660</u>
Depreciable Capital Assets:				
Land Improvements	4,438,690	12,915	(23,436)	4,428,169
Buildings and Improvements	49,776,537	0	0	49,776,537
Furniture and Equipment	2,985,404	305,785	(18,028)	3,273,161
Vehicles	2,691,108	266,406	(223,936)	2,733,578
Total Capital Assets being Depreciated	<u>59,891,739</u>	<u>585,106</u>	<u>(265,400)</u>	<u>60,211,445</u>
Less Accumulated Depreciation				
Land Improvements	(2,097,597)	(206,091)	21,401	(2,282,287)
Buildings and Improvements	(26,944,984)	(1,650,433)	0	(28,595,417)
Furniture and Equipment	(2,127,012)	(149,096)	14,456	(2,261,652)
Vehicles	(1,296,543)	(261,008)	223,936	(1,333,615)
Total Accumulated Depreciation	<u>(32,466,136)</u>	<u>(2,266,628) *</u>	<u>259,793</u>	<u>(34,472,971)</u>
Total Capital Assets being Depreciated, Net	<u>27,425,603</u>	<u>(1,681,522)</u>	<u>(5,607)</u>	<u>25,738,474</u>
Capital Assets, Net	<u>\$28,786,216</u>	<u>(\$1,208,475)</u>	<u>(\$5,607)</u>	<u>\$27,572,134</u>

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

Instruction:	
Regular	\$1,014,248
Special	188,690
Vocational	13,977
Intervention	34,942
Support Services:	
Pupils	62,896
Instructional Staff	13,785
Administration	151,050
Fiscal	4,078
Operation and Maintenance of Plant	202,157
Pupil Transportation	255,309
Central	2,719
Food Service Operations	163,504
Extracurricular Activities	159,273
Total Depreciation Expense	<u>\$2,266,628</u>

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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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 2020, 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)	\$93,542,007
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 years. There have been no significant reductions in insurance coverage from last fiscal year.

**Workers' Compensation**

For fiscal year 2020, 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 \$207,964 reported in the internal service fund at June 30, 2020, 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 \$4,554,655 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*  
*For the Fiscal Year Ended June 30, 2020*

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Changes in the fund's claims liability amount in fiscal years 2019 and 2020 were:

	Balance at Beginning of Fiscal Year	Current Year Claims	Claim Payments	Balance at End of Fiscal Year
2019	\$173,373	\$3,267,312	\$3,061,936	\$378,749
2020	378,749	3,604,837	3,775,622	207,964

**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.

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,

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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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, 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**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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, 2020, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2020, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The School District's contractually required contribution to SERS was \$459,070 for fiscal year 2020. Of this amount, \$45,189 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.

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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

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

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2020 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2020, the full employer contribution was allocated to pension.

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2020

The School District's contractually required contribution to STRS was \$1,424,564 for fiscal year 2020. Of this amount, \$228,060 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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	0.09322450%	0.08369804%	
Current Measurement Date	<u>0.09807980%</u>	<u>0.08273438%</u>	
 Change in Proportionate Share	 <u>0.00485530%</u>	 <u>-0.00096366%</u>	
 Proportionate Share of the Net			<u>Total</u>
Pension Liability	\$5,868,286	\$18,296,211	\$24,164,497
Pension Expense	\$867,828	\$1,985,894	\$2,853,722

At June 30, 2020, 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	\$148,807	\$148,962	\$297,769
Changes of assumptions	0	2,149,243	2,149,243
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	189,913	0	189,913
School District contributions subsequent to the measurement date	<u>459,070</u>	<u>1,424,564</u>	<u>1,883,634</u>
Total Deferred Outflows of Resources	<u>\$797,790</u>	<u>\$3,722,769</u>	<u>\$4,520,559</u>
 <b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$0	\$79,201	\$79,201
Net difference between projected and actual earnings on pension plan investments	75,327	894,220	969,547
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	<u>72,361</u>	<u>893,107</u>	<u>965,468</u>
Total Deferred Inflows of Resources	<u>\$147,688</u>	<u>\$1,866,528</u>	<u>\$2,014,216</u>

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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\$1,883,634 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2021	\$231,840	\$702,435	\$934,275
2022	(78,516)	(131,495)	(210,011)
2023	(5,012)	(202,782)	(207,794)
2024	42,720	63,519	106,239
Total	\$191,032	\$431,677	\$622,709



**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**Actuarial Assumptions - SERS**

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

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

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

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

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 investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

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

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

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

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2020

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.

**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	\$8,223,567	\$5,868,286	\$3,893,089

**Actuarial Assumptions - STRS**

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

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

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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

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

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

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

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

\*\* 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, 2019. 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, 2019. 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, 2019.

**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

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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	\$26,737,874	\$18,296,211	\$11,149,911

**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, 2020, four members of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.

**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 2020, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2 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 2020, the School District’s surcharge obligation was \$54,123.

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 \$54,123 for fiscal year 2020, which is reported as an intergovernmental payable.

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

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For fiscal year ended June 30, 2020, 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, 2019, 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:

	SERS	STRS	
Proportion of the Net OPEB Liability:			
Prior Measurement Date	0.09468580%	0.08369804%	
Current Measurement Date	0.10004040%	0.08273438%	
Change in Proportionate Share	0.00535460%	-0.00096366%	
Proportionate Share of the:			Total
Net OPEB Liability	\$2,515,807	\$0	\$2,515,807
Net OPEB (Asset)	\$0	(\$1,370,280)	(\$1,370,280)
OPEB Expense	\$89,054	(\$461,257)	(\$372,203)

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$36,930	\$124,226	\$161,156
Changes of assumptions	183,751	28,803	212,554
Net difference between projected and actual earnings on OPEB plan investments	6,039	0	6,039
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	143,266	0	143,266
School District contributions subsequent to the measurement date	<u>54,123</u>	<u>0</u>	<u>54,123</u>
Total Deferred Outflows of Resources	<u>\$424,109</u>	<u>\$153,029</u>	<u>\$577,138</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$552,705	\$69,714	\$622,419
Changes of assumptions	140,978	1,502,351	1,643,329
Net difference between projected and actual earnings on OPEB plan investments	0	86,064	86,064
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	<u>145,837</u>	<u>165,616</u>	<u>311,453</u>
Total Deferred Inflows of Resources	<u>\$839,520</u>	<u>\$1,823,745</u>	<u>\$2,663,265</u>

\$54,123 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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	SERS	STRS	Total
Fiscal Year Ending June 30:			
2021	(\$140,291)	(\$368,828)	(\$509,119)
2022	(83,724)	(368,829)	(452,553)
2023	(81,951)	(334,337)	(416,288)
2024	(82,239)	(322,236)	(404,475)
2025	(60,371)	(279,500)	(339,871)
2026	(20,958)	3,014	(17,944)
Total	(\$469,534)	(\$1,670,716)	(\$2,140,250)

***Actuarial Assumptions - SERS***

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

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

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

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

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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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	3.13 percent
Prior Measurement Date	3.62 percent
 Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.22 percent
Prior Measurement Date	3.70 percent
 Medical Trend Assumption	
Medicare	5.25 to 4.75 percent
Pre-Medicare	7.00 to 4.75 percent

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

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

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

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, 2019 was 3.22 percent. The discount rate used to measure total OPEB liability prior to June 30, 2019, was 3.70 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 3.13 percent, as of June 30, 2019 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. 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



**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2020

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 (2.22%) and higher (4.22%) than the current discount rate (3.22%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

	1% Decrease (2.22%)	Current Discount Rate (3.22%)	1% Increase (4.22%)
School District's proportionate share of the net OPEB liability	\$3,053,711	\$2,515,807	\$2,088,108

  

	1% Decrease (6.00 % decreasing to 3.75%)	Current Trend Rate (7.00 % decreasing to 4.75%)	1% Increase (8.00 % decreasing to 5.75%)
School District's proportionate share of the net OPEB liability	\$2,015,670	\$2,515,807	\$3,179,365

***Actuarial Assumptions – STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2019, 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	7.45 percent
Health Care Cost Trends	
Medical	
Pre-Medicare	5.87 percent initial, 4 percent ultimate
Medicare	4.93 percent initial, 4 percent ultimate
Prescription Drug	
Pre-Medicare	7.73 percent initial, 4 percent ultimate
Medicare	9.62 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

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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

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

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.

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

**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, 2019, 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	(\$1,169,261)	(\$1,370,280)	(\$1,539,290)
	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB asset	(\$1,553,834)	(\$1,370,280)	(\$1,145,470)

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2020

**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 6/30/19	Additions	Reductions	Principal Outstanding 6/30/20	Amounts Due in One Year
2012 School Building Construction Refunding Bonds:					
Term Bonds - 2.35%-3.0%	\$1,545,000	\$0	\$0	\$1,545,000	\$0
Premium on Bonds	195,873	0	15,775	180,098	0
Original Issue of Capital Appreciation Bonds - 28.74-32.98%	40,000	0	15,000	25,000	15,000
Accretion on Capital Appreciation Bonds	245,197	70,519	125,000	190,716	125,000
<b>Total Bonds</b>	<u>2,026,070</u>	<u>70,519</u>	<u>155,775</u>	<u>1,940,814</u>	<u>140,000</u>
Net Pension Liability:					
STRS	18,403,321	0	107,110	18,296,211	0
SERS	5,339,140	529,146	0	5,868,286	0
<b>Total Net Pension Liability</b>	<u>23,742,461</u>	<u>529,146</u>	<u>107,110</u>	<u>24,164,497</u>	<u>0</u>
Net OPEB Liability:					
SERS	2,626,840	0	111,033	2,515,807	0
Sick Leave Benefits Payable	1,703,086	50,397	103,411	1,650,072	37,600
<b>Total Governmental Activities Long-Term Liabilities</b>	<u>\$30,098,457</u>	<u>\$650,062</u>	<u>\$477,329</u>	<u>\$30,271,190</u>	<u>\$177,600</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 asset / liabilities, see Notes 14 and 15.

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

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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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 2020 was \$11,213. 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

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:

Date	Principal Amount To Be Redeemed
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:

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

Date	Principal Amount To Be Redeemed
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:

Date	Principal Amount To Be Redeemed
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 fully mature in fiscal year 2022. The maturity amount of the remaining bonds is \$335,000. For the fiscal year 2020, \$70,519 was accreted and \$125,000 was paid, for a total remaining bond value of \$215,716.

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

Fiscal Year Ending June 30	Capital Appreciation		Term	
	Principal	Interest	Principal	Interest
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
	\$25,000	\$255,000	\$1,545,000	\$278,938

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, 2020, was \$42,521,302, with an unvoted debt margin of \$478,716.

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**Note 17 - Significant Commitments**

**Encumbrances**

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	\$55,312
Nonmajor Governmental Funds	<u>824,188</u>
Total	<u><u>\$879,500</u></u>

**Contractual Commitments**

During fiscal year 2020, the School District had contractual purchase commitments for projects in various funds. The amount for each project is as follows:

	Purchase Commitments	Amounts Expended	Amounts Remaining
Junior High Building Renovations (Capital Projects Fund)	\$276,913	\$29,076	\$247,837
Football Stadium Scoreboard (Permanent Improvement Fund)	<u>393,436</u>	<u>354,092</u>	<u>39,344</u>
Total	<u><u>\$670,349</u></u>	<u><u>\$383,168</u></u>	<u><u>\$287,181</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 2020, the total amount paid to OME-RESA from the School District was \$76,942 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

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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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 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 2020, 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 2020, the School District paid \$941 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.

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**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.

**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 2020, the School District elected to participate in the self-insured joint insurance program for medical, prescription drug, dental, and vision coverage.

**Note 20 - 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.



**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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, 2019	\$0
Current Year Set-aside Requirement	360,723
Current Year Offsets	(4,060,912)
Qualifying Disbursements	(96,275)
Total	(\$3,796,464)
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 fiscal years.

**Note 21 - 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, 2020.

**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. ODE adjustments for fiscal year 2020 have been finalized. The impact of the FTE adjustments were not material to the fiscal year 2020 financial statements.

**Litigation**

As of June 30, 2020, the School District is not a party to any lawsuits.

**Note 22 - COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School District. The School District's investment portfolio and the investments of the pension and other employee benefit plans in which the School District participates fluctuate with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the School District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**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 Seven Fiscal Years (1)*

	2020	2019	2018
School District's Proportion of the Net Pension Liability	0.09807980%	0.09322450%	0.09958300%
School District's Proportionate Share of the Net Pension Liability	\$5,868,286	\$5,339,140	\$5,949,864
School District's Covered Payroll	\$3,241,148	\$3,166,104	\$3,183,679
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	181.06%	168.63%	186.89%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.85%	71.36%	69.50%

(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

2017	2016	2015	2014
0.09691620%	0.10015230%	0.10316400%	0.10316400%
\$7,093,371	\$5,714,787	\$5,221,071	\$6,134,832
\$3,024,821	\$2,989,560	\$2,830,079	\$3,060,351
234.51%	191.16%	184.48%	200.46%
62.98%	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 Four Fiscal Years (1)*

	2020	2019	2018	2017
School District's Proportion of the Net OPEB Liability	0.10004040%	0.09468580%	0.10092960%	0.09817860%
School District's Proportionate Share of the Net OPEB Liability	\$2,515,807	\$2,626,840	\$2,708,685	\$2,798,453
School District's Covered Payroll	\$3,241,148	\$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	77.62%	82.97%	85.08%	92.52%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	15.57%	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 Seven Fiscal Years (1)*

	2020	2019	2018
School District's Proportion of the Net Pension Liability	0.08273438%	0.08369804%	0.08433844%
School District's Proportionate Share of the Net Pension Liability	\$18,296,211	\$18,403,321	\$20,034,777
School District's Covered Payroll	\$9,766,486	\$9,538,343	\$9,301,686
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	187.34%	192.94%	215.39%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.40%	77.30%	75.30%

(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

2017	2016	2015	2014
0.08895376%	0.09023920%	0.09364744%	0.09364744%
\$29,775,504	\$24,939,475	\$22,778,298	\$27,133,360
\$9,342,693	\$9,415,186	\$9,521,862	\$9,993,000
318.70%	264.89%	239.22%	271.52%
66.80%	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 Four Fiscal Years (1)*

	2020	2019	2018	2017
School District's Proportion of the Net OPEB (Asset) Liability	0.08273438%	0.08369804%	0.08433844%	0.08895376%
School District's Proportionate Share of the Net OPEB (Asset) Liability	(\$1,370,280)	(\$1,344,943)	\$3,290,575	\$4,757,270
School District's Covered Payroll	\$9,766,486	\$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	-14.03%	-14.10%	35.38%	50.92%
Plan Fiduciary Net Position as a Percentage of the Total OPEB (Asset) Liability	174.70%	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*

	2020	2019	2018	2017
<b>Net Pension Liability</b>				
Contractually Required Contribution	\$459,070	\$437,555	\$427,424	\$445,715
Contributions in Relation to the Contractually Required Contribution	<u>(459,070)</u>	<u>(437,555)</u>	<u>(427,424)</u>	<u>(445,715)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$3,279,071	\$3,241,148	\$3,166,104	\$3,183,679
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>13.50%</u>	<u>13.50%</u>	<u>14.00%</u>
<b>Net OPEB Liability</b>				
Contractually Required Contribution (2)	\$54,123	\$75,055	\$67,471	\$54,435
Contributions in Relation to the Contractually Required Contribution	<u>(54,123)</u>	<u>(75,055)</u>	<u>(67,471)</u>	<u>(54,435)</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>1.65%</u>	<u>2.32%</u>	<u>2.13%</u>	<u>1.71%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>15.65%</u>	<u>15.82%</u>	<u>15.63%</u>	<u>15.71%</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



2016	2015	2014	2013	2012	2011
\$423,475	\$394,024	\$392,249	\$423,553	\$362,902	\$375,348
<u>(423,475)</u>	<u>(394,024)</u>	<u>(392,249)</u>	<u>(423,553)</u>	<u>(362,902)</u>	<u>(375,348)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$3,024,821	\$2,989,560	\$2,830,079	\$3,060,351	\$2,698,157	\$2,986,063
<u>14.00%</u>	<u>13.18%</u>	<u>13.86%</u>	<u>13.84%</u>	<u>13.45%</u>	<u>12.57%</u>
\$49,527	\$73,950	\$52,680	\$46,977	\$57,591	\$86,148
<u>(49,527)</u>	<u>(73,950)</u>	<u>(52,680)</u>	<u>(46,977)</u>	<u>(57,591)</u>	<u>(86,148)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>1.64%</u>	<u>2.47%</u>	<u>1.86%</u>	<u>1.54%</u>	<u>2.13%</u>	<u>2.89%</u>
<u>15.64%</u>	<u>15.65%</u>	<u>15.72%</u>	<u>15.38%</u>	<u>15.58%</u>	<u>15.45%</u>

**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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Net Pension Liability</b>				
Contractually Required Contribution	\$1,424,564	\$1,367,308	\$1,335,368	\$1,302,236
Contributions in Relation to the Contractually Required Contribution	<u>(1,424,564)</u>	<u>(1,367,308)</u>	<u>(1,335,368)</u>	<u>(1,302,236)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$10,175,457	\$9,766,486	\$9,538,343	\$9,301,686
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>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$1,307,977	\$1,318,126	\$1,237,842	\$1,299,090	\$1,213,391	\$1,211,111
<u>(1,307,977)</u>	<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>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$9,342,693	\$9,415,186	\$9,521,862	\$9,993,000	\$9,333,777	\$9,316,238
<u>14.00%</u>	<u>14.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>
\$0	\$0	\$95,219	\$99,930	\$93,338	\$93,162
<u>0</u>	<u>0</u>	<u>(95,219)</u>	<u>(99,930)</u>	<u>(93,338)</u>	<u>(93,162)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>0.00%</u>	<u>0.00%</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, 2020*

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**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:

	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2016 and Prior</u>
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:

	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2017 and Prior</u>
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.

Beginning with fiscal year 2018, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuity 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

**Franklin Local School District, Ohio**  
*Notes to Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2020*

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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 2020	3.13 percent
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 2020	3.22 percent
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.

**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.

**Franklin Local School District, Ohio**  
*Notes to Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2020*

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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.

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

**FRANKLIN LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2020**

<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	2019/2020	\$8,237	\$8,237
National School Lunch Program	10.555	2019/2020	74,132	74,132
Non-Cash Assistance Subtotal:			<u>82,369</u>	<u>82,369</u>
Cash Assistance				
School Breakfast Program	10.553	2019/2020	167,433	144,520
COVID-19 School Breakfast Program	10.553	2020	15,760	13,603
National School Lunch Program	10.555	2019/2020	285,883	246,760
COVID-19 National School Lunch Program	10.555	2020	26,457	22,837
Summer Food Service Program for Children	10.559	2019/2020	81,053	69,961
COVID-19 Summer Food Service Program for Children	10.559	2020	588,063	507,588
Cash Assistance Subtotal:			<u>1,164,649</u>	<u>1,005,269</u>
Total Child Nutrition Cluster			<u>1,247,018</u>	<u>1,087,638</u>
Total U.S. Department of Agriculture			1,247,018	1,087,638
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed Through Ohio Department of Education</i>				
Title I Grants to Local Educational Agencies	84.010	2019	142,874	99,603
		2020	590,049	638,951
Total Title I Grants to Local Educational Agencies			<u>732,923</u>	<u>738,554</u>
Special Education Cluster:				
Special Education - Grants to States	84.027	2019	86,081	48,210
		2020	359,472	398,954
Total Special Education - Grants to States			<u>445,553</u>	<u>447,164</u>
Special Education - Preschool Grants	84.173	2020	7,798	7,798
Total Special Education Cluster			453,351	454,962
Rural Education	84.358	2019	10,151	10,151
		2020	43,236	48,500
Total Rural Education			<u>53,387</u>	<u>58,651</u>
Improving Teacher Quality State Grants	84.367	2019	20,697	14,145
		2020	66,749	71,835
Total Improving Teacher Quality State Grants			<u>87,446</u>	<u>85,980</u>
Student Support and Academic Enrichment State Grants	84.424	2020	49,955	49,955
COVID-19 Education Stabilization Fund - Elementary and Secondary School Emergency Relief Fund	84.425D	2020	74,225	277,072
Total U.S. Department of Education			<u>1,451,287</u>	<u>1,665,174</u>
<b>Total Receipts and Expenditures of Federal Awards</b>			<b><u>\$2,698,305</u></b>	<b><u>\$2,752,812</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 YEAR ENDED JUNE 30, 2020**

**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's) under programs of the federal government for the year ended June 30, 2020. 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 entitlement 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



PO Box 828  
Athens, Ohio 45701  
(740) 594-3300 or (800) 441-1389  
SoutheastRegion@ohioauditor.gov

## 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, 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, 2020, 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 17, 2021 wherein we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the School District.

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

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

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

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

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

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

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the 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 17, 2021

# OHIO AUDITOR OF STATE KEITH FABER



PO Box 828  
Athens, Ohio 45701  
(740) 594-3300 or (800) 441-1389  
SoutheastRegion@ohioauditor.gov

## 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  
Zanesville, Ohio 43734

To the Board of Education:

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

We have audited the Franklin Local School District, 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 Franklin Local School District's major federal program for the year ended June 30, 2020. 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 programs.

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

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

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

### ***Opinion on the Major Federal Program***

In our opinion, the Franklin Local 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, 2020.

***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 17, 2021

**FRANKLIN LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2020**

**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 #'s 10.553, 10.555, and 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 SCHOOL DISTRICT**

**MUSKINGUM COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 3/2/2021**

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

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