



OHIO AUDITOR OF STATE  
**KEITH FABER**





**FRANKLIN LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY  
JUNE 30, 2024**

**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 Balances	
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 Balances - Budget and Actual (Budget Basis)	
General Fund.....	21
Statement of Fund Net Position	
Internal Service Fund .....	22
Statement of Revenues, Expenses and Changes in Fund Net Position	
Internal Service Fund .....	23
Statement of Cash Flows	
Internal Service Fund .....	24
Notes to the Basic Financial Statements .....	25
Required Supplementary Information:	
Schedule of the School District's Proportionate Share of the Net Pension Liability	
School Employees Retirement System of Ohio Last Ten Fiscal Years .....	68
Schedule of the School District's Proportionate Share of the Net OPEB Liability	
School Employees Retirement System of Ohio Last Eight Fiscal Years .....	70
Schedule of the School District's Proportionate Share of the Net Pension Liability	
State Teachers Retirement System of Ohio Last Ten Fiscal Years.....	72

**FRANKLIN LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY  
JUNE 30, 2024**

**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 OPEB (Asset) Liability State Teachers Retirement System of Ohio Last Eight Fiscal Years.....	74
Schedule of the School District's Contributions School Employees Retirement System of Ohio Last Ten Fiscal Years .....	76
Schedule of the School District's Contributions 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 .....	85
Notes to the Schedule of Receipts and Expenditures of Federal Awards.....	86
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	87
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 .....	89
Schedule of Findings.....	93

# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### Report on the Audit of the Financial Statements

#### **Opinions**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Franklin Local School District, Muskingum County, Ohio (the School District), as of and for the year ended June 30, 2024, 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.

In our opinion, the accompanying 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 Franklin Local School District, Muskingum County, Ohio as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and Schedules of Net Pension and Other Post-employment Benefit Liabilities and Pension and Other Post-employment Benefit Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Receipts and Expenditures of Federal Awards 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 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2025, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

March 10, 2025

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**Franklin Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2024*  
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, 2024. 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 2024 are as follows:

- At fiscal year end, the School District's long term obligations remained sick leave benefits payable and net pension and OPEB liabilities.
- Capital asset additions included two new buses, various pieces of equipment, a complete replacement of turf on a football field, and considerable renovations to the Philo Junior High and Duncan Falls Elementary buildings.
- The School District's enrollment decreased slightly from 1,889 students in fiscal year 2023 to 1,848 students in fiscal year 2024.
- For the past seven years, natural gas distribution pipelines and compressor stations have been present within the School District and have been assessed property taxes as such. In fiscal year 2022, an appeal on this property valuation was made. A decision on the valuation appeal was completed during fiscal year 2024, with the School District receiving a substantial receipt as a part of their tax settlements from Muskingum County.

### **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.

**Franklin Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2024*  
Unaudited

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

*Statement of Net Position and Statement of Activities*

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2024?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

*Fund Financial Statements*

The analysis of the School District's major funds begins on page 12. Fund financial reports provide detailed information about the School District's major funds. 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 major governmental funds are the General Fund and the Capital Projects 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.

# Franklin Local School District, Ohio

## Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2024

Unaudited

**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.

### 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 fiscal year 2024 compared to fiscal year 2023.

Table 1 - Net Position

	Governmental Activities		
	2024	2023	Change
<b>Assets</b>			
Current and Other Assets	\$35,928,839	\$33,397,246	\$2,531,593
Net OPEB Asset	1,751,849	2,324,580	(572,731)
Capital Assets	32,417,236	31,690,471	726,765
Total Assets	70,097,924	67,412,297	2,685,627
<b>Deferred Outflows of Resources</b>			
Pension	5,682,308	7,110,019	(1,427,711)
OPEB	1,356,579	922,959	433,620
Total Deferred Outflows of Resources	7,038,887	8,032,978	(994,091)
<b>Liabilities</b>			
Current and Other Liabilities	4,821,249	4,687,915	133,334
Long Term Liabilities:			
Due Within One Year	38,727	10,607	28,120
Due in More Than One Year:			
Net Pension Liability	25,703,976	25,941,068	(237,092)
Net OPEB Liability	1,932,849	1,587,311	345,538
Other Amounts	1,868,971	1,889,929	(20,958)
Total Liabilities	34,365,772	34,116,830	248,942
<b>Deferred Inflows of Resources</b>			
Property Taxes	6,942,587	8,324,311	(1,381,724)
Pension	1,406,367	2,167,046	(760,679)
OPEB	3,057,687	3,851,718	(794,031)
Total Deferred Inflows of Resources	11,406,641	14,343,075	(2,936,434)
<b>Net Position</b>			
Net Investment in Capital Assets	32,217,837	31,327,788	890,049
Restricted	4,569,256	3,455,494	1,113,762
Unrestricted (Deficits)	(5,422,695)	(7,797,912)	2,375,217
Total Net Position	\$31,364,398	\$26,985,370	\$4,379,028

**Franklin Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2024*  
Unaudited

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The net pension and OPEB liabilities are the largest liabilities reported by the School District at June 30, 2024. 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.

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

Total assets of governmental activities increased \$2,685,627. Current and other assets increased \$2,531,593, primarily due to the increase in property taxes receivables of \$2,404,579. In prior years, the School District realized an increase in property taxes receivables as a result of increases in public utilities property values related to the construction of pipelines and compressor stations. However, one company requested a property value revaluation, which resulted in negotiations of value being settled during the fiscal year. Capital assets increased \$726,765 as a result of current year additions exceeding depreciation/amortization. Over the course of the past three years, the School District renovated several school buildings, with all construction completed and moved into service during fiscal year 2024. The School District also reflects an OPEB asset in the amount of \$1,751,849, which is a decrease of \$572,731. See Note 13 for more information on the OPEB asset.

Total deferred outflows of resources decreased \$994,091, due to the net differences between expected and actual experience, earnings on investments, payments subsequent to the measurement date, and changes of assumptions related to the School District's proportionate share of the net pension and OPEB liabilities.

**Franklin Local School District, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2024*

Unaudited

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Total liabilities increased \$248,942. Current and other liabilities increased \$133,334, primarily due to the net effect between intergovernmental payable and claims payable. Intergovernmental payable decreased by \$150,307, primarily due to expense adjustments on the State Foundation related to pension payments during the fiscal year. Claims payable increased by \$328,007, due to an increase in actuarial estimates provided by a third party administrator. Long-term liabilities increased \$115,608, due to the net effect between the decrease in the net pension liability of \$237,092 and the increase OPEB liability of \$345,538. 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.

Total deferred inflows of resources decreased \$2,936,434. This decrease was the result of three factors; a decrease in deferred inflows of resources for property taxes related to the actual receipt and availability of public utilities property tax revenues, a decrease in deferred inflows of resources related to pension due to changes in pension plan investments, and a decrease in deferred inflows of resources related to OPEB due to changes in assumptions.

In an effort to promote comparability with other governments, the School District updated its calculation of net position restricted for pension and OPEB plans for fiscal year 2024. This change impacted the amounts presented as net position restricted for an OPEB plan and unrestricted net position. GASB 100 does not require amounts prior to those presented in the basic financial statements to be updated for a change in accounting principle.

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**Franklin Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2024*  
Unaudited

Table 2 shows the changes in net position for the fiscal year 2024 compared to fiscal year 2023.

Table 2 - Changes in Net Position

	Governmental Activities		
	2024	2023	Change
<b>Revenues</b>			
Program Revenues:			
Charges for Services and Sales	\$1,549,935	\$1,555,215	(\$5,280)
Operating Grants, Contributions and Interest	3,900,368	4,742,911	(842,543)
Capital Grants and Contributions	759,554	2,480,516	(1,720,962)
Total Program Revenues	6,209,857	8,778,642	(2,568,785)
General Revenues:			
Property Taxes	16,639,708	8,462,767	8,176,941
Grants and Entitlements	12,458,945	12,895,660	(436,715)
Gain on Sale of Capital Assets	12,096	0	12,096
Gifts and Donations	0	169,980	(169,980)
Investment Earnings/Interest	778,245	469,862	308,383
Miscellaneous	9,122	14,630	(5,508)
Total General Revenues	29,898,116	22,012,899	7,885,217
Total Revenues	36,107,973	30,791,541	5,316,432
<b>Program Expenses</b>			
Instruction:			
Regular	14,991,891	15,333,530	(341,639)
Special	3,489,353	3,492,443	(3,090)
Vocational	115,876	116,165	(289)
Intervention	319,746	345,528	(25,782)
Support Services:			
Pupils	1,482,844	1,552,571	(69,727)
Instructional Staff	894,261	813,145	81,116
Board of Education	139,488	177,725	(38,237)
Administration	2,592,672	2,579,578	13,094
Fiscal	739,532	786,326	(46,794)
Operation and Maintenance of Plant	2,418,706	2,352,569	66,137
Pupil Transportation	1,983,029	1,945,612	37,417
Central	185,152	185,176	(24)
Operation of Non-Instructional Services:			
Food Service Operations	1,799,612	1,645,708	153,904
Other	4,974	2,304	2,670
Extracurricular Activities	571,809	1,085,777	(513,968)
Total Expenses	31,728,945	32,414,157	(685,212)
Change in Net Position	4,379,028	(1,622,616)	6,001,644
Net Position Beginning of Year	26,985,370	28,607,986	(1,622,616)
Net Position End of Year	\$31,364,398	\$26,985,370	\$4,379,028

Net position increased from the prior year. Overall total revenues reflected an increase of \$5,316,432, primarily due to an increase in property taxes revenue. Rockies Express Pipeline (Rockies) appealed their tax valuations over the last few years, and a final settlement was reached in June 2024. Muskingum County received Rockies final settlement payment on June 17, 2024, of approximately \$3.6 million. Those taxes were available for tax advance as of year end; therefore, they were shown as property taxes revenue for 2024.

**Franklin Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2024*  
 Unaudited

Another reason for the increase in property taxes revenue in 2024 was due to a tax advance of \$1.5 million being requested and received in fiscal year 2024 against fiscal year 2025 revenues. Fiscal year 2023's property taxes revenue also had a \$1.5 million refund for pipeline adjustments due to appeals of taxes. Overall total program expenses reflect a decrease of \$685,212, primarily due to a decrease in extracurricular activities expenses related to capital assets.

In fiscal year 2024, 46 percent of the School District's total revenues were from property taxes and 35 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.

Total instruction comprises approximately 60 percent of governmental program expenses. Of the instructional expenses, approximately 79 percent is for regular instruction, approximately 18 percent is for special instruction, and approximately 3 percent is for vocational instruction and student intervention services.

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

Table 3 - Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2024	2024	2023	2023
<b>Program Expenses</b>				
Instruction:				
Regular	\$14,991,891	\$13,379,046	\$15,332,530	\$10,957,178
Special	3,489,353	679,801	3,492,443	770,276
Vocational	115,876	94,434	116,165	95,646
Intervention	319,746	319,746	346,528	346,280
Support Services:				
Pupils	1,482,844	1,392,929	1,552,571	1,522,052
Instructional Staff	894,261	802,042	813,145	769,198
Board of Education	139,488	139,488	177,725	177,725
Administration	2,592,672	2,592,672	2,579,578	2,579,578
Fiscal	739,532	739,532	786,326	786,326
Operation and Maintenance of Plant	2,418,706	2,418,706	2,352,569	2,352,569
Pupil Transportation	1,983,029	1,894,220	1,945,612	1,887,183
Central	185,152	175,395	185,176	166,945
Operation of Non-Instructional Services:				
Food Service Operations	1,799,612	529,854	1,645,708	380,112
Other	4,974	(240)	2,304	40
Extracurricular Activities	571,809	361,463	1,085,777	844,407
<b>Total</b>	<b>\$31,728,945</b>	<b>\$25,519,088</b>	<b>\$32,414,157</b>	<b>\$23,635,515</b>

**Franklin Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2024*  
Unaudited

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For fiscal year 2024, the dependence upon tax revenues and State subsidies for governmental activities is apparent, representing approximately 80 percent of expenses.

**The School District's Major Funds**

The School District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources in the amount of \$38,538,976 and expenditures and other financing uses in the amount of \$34,267,039. The fund balance for all governmental funds at June 30, 2024, is \$21,790,855.

The General Fund had total revenues and other financing sources of \$31,156,885 and expenditures and other financing uses of \$27,780,753. The General Fund's balance at June 30, 2024, increased by \$3,376,132, as a result of increases in public utility property revenue and State Foundation revenues related to tuition and fees. The General Fund has an ending fund balance of \$10,342,543.

The fund balance of the Capital Projects Fund at June 30, 2024, is \$5,936,442, a decrease of \$637,146 from the prior year primarily due to the return of monies to the General Fund. When this fund was established, there were timeframes acknowledged that the original transfer would be spent or returned to the General Fund.

***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 2024, the School District did amend its General Fund budget. 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 higher than budgeted primarily due to the increase in investment earnings and changes in State Foundation revenues. Spending in the majority of all categories was lower than budgeted appropriations. The School District's ending General Fund balance was \$4,881,091.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2024, the School District had \$32,417,236 invested in land, construction in progress, land improvements, buildings and improvements, intangible right to use – software, furniture and equipment, and vehicles.

Table 4 shows fiscal year 2024 balances compared to fiscal year 2023 balances.



**Franklin Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2024*  
Unaudited

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Table 4 - Capital Assets, Net of Depreciation

	Governmental Activities	
	2024	2023
Land	\$1,450,492	\$1,450,492
Construction in Progress	526,885	7,519,379
Land Improvements	2,650,944	2,486,354
Buildings and Improvements	23,367,094	16,914,446
Intangible Right to Use - Software	98,928	168,188
Furniture and Equipment	2,371,934	1,335,913
Vehicles	1,950,959	1,815,699
Totals	<u>\$32,417,236</u>	<u>\$31,690,471</u>

See Note 10 to the basic financial statements for more information on capital assets.

### ***Debt***

See Note 14 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. 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. One of these public utility pipelines filed for an appeal of their valuation in fiscal year 2022, which resulted in a decrease in public utility revenue received during fiscal year 2023 and fiscal year 2024. A decision on the pipeline appeal was made during fiscal year 2024 and the School District will receive 88 percent of the original value. Receipts to the School District resumed for the appealed values starting in July 2024. The School District saw slight decreases in enrollment during fiscal year 2024. The new funding formula changed revenue and expenditure recognition; however, it resulted in no additional funding for the School District. Several emergency relief grants from the Federal Government continued to provide additional funding resources and relief to the School District's revenue loss. Due to loss of pipeline revenue, no new funding from the State, and minimal increases in local revenue, the Board of Education made the decision to close one of its instructional buildings at the end of fiscal year 2024. 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, 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, 2024*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$17,534,924
Materials and Supplies Inventory	24,909
Inventory Held for Resale	21,365
Intergovernmental Receivable	570,792
Prepaid Items	215,109
Accrued Interest Receivable	50,445
Accounts Receivable	18,041
Property Taxes Receivable	17,493,254
Net OPEB Asset	1,751,849
Nondepreciable Capital Assets	1,977,377
Depreciable Capital Assets, Net	30,439,859
<i>Total Assets</i>	<u>70,097,924</u>
<b>Deferred Outflows of Resources</b>	
Pension	5,682,308
OPEB	1,356,579
<i>Total Deferred Outflows of Resources</i>	<u>7,038,887</u>
<b>Liabilities</b>	
Accounts Payable	111,256
Accrued Wages and Benefits Payable	3,066,350
Contracts Payable	199,399
Matured Sick Leave Benefits Payable	31,914
Vacation Benefits Payable	198,608
Intergovernmental Payable	624,271
Claims Payable	589,451
Long-Term Liabilities:	
Due Within One Year	38,727
Due In More Than One Year:	
Net Pension Liability	25,703,976
Net OPEB Liability	1,932,849
Other Amounts Due in More Than One Year	1,868,971
<i>Total Liabilities</i>	<u>34,365,772</u>
<b>Deferred Inflows of Resources</b>	
Property Taxes	6,942,587
Pension	1,406,367
OPEB	3,057,687
<i>Total Deferred Inflows of Resources</i>	<u>11,406,641</u>
<b>Net Position</b>	
Net Investment in Capital Assets	32,217,837
Restricted for:	
Food Service Operations	261,076
Classroom Facilities Maintenance	1,198,162
Debt Service	330
Capital Projects	1,238,928
Local Grant Programs	2,368
District Managed Student Activities	115,028
Unclaimed Monies	1,515
OPEB Plan	1,751,849
Unrestricted (Deficit)	<u>(5,422,695)</u>
<i>Total Net Position</i>	<u><u>\$31,364,398</u></u>

See accompanying notes to the basic financial statements

**Franklin Local School District, Ohio**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2024

	Program Revenues				Net (Expense) and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$14,991,891	\$772,807	\$80,484	\$759,554	(\$13,379,046)
Special	3,489,353	316,706	2,492,846	0	(679,801)
Vocational	115,876	0	21,442	0	(94,434)
Intervention	319,746	0	0	0	(319,746)
Support Services:					
Pupils	1,482,844	0	89,915	0	(1,392,929)
Instructional Staff	894,261	47,759	44,460	0	(802,042)
Board of Education	139,488	0	0	0	(139,488)
Administration	2,592,672	0	0	0	(2,592,672)
Fiscal	739,532	0	0	0	(739,532)
Operation and Maintenance of Plant	2,418,706	0	0	0	(2,418,706)
Pupil Transportation	1,983,029	0	88,809	0	(1,894,220)
Central	185,152	0	9,757	0	(175,395)
Operation of Non-Instructional Services:					
Food Service Operations	1,799,612	244,824	1,024,934	0	(529,854)
Other	4,974	0	5,214	0	240
Extracurricular Activities	571,809	167,839	42,507	0	(361,463)
<i>Total Governmental Activities</i>	<u>\$31,728,945</u>	<u>\$1,549,935</u>	<u>\$3,900,368</u>	<u>\$759,554</u>	<u>(25,519,088)</u>
<b>General Revenues</b>					
Property Taxes Levied for:					
General Purposes					15,029,567
Capital Outlay					1,370,298
Classroom Facilities Maintenance					239,843
Operating Grants and Entitlements not Restricted to Specific Programs					12,458,945
Gain on Sale of Capital Assets					12,096
Investment Earnings/Interest					778,245
Miscellaneous					9,122
<i>Total General Revenues</i>					<u>29,898,116</u>
<i>Change in Net Position</i>					4,379,028
<i>Net Position Beginning of Year</i>					<u>26,985,370</u>
<i>Net Position End of Year</i>					<u>\$31,364,398</u>

See accompanying notes to the basic financial statements

**Franklin Local School District, Ohio**

*Balance Sheet  
Governmental Funds  
June 30, 2024*

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$5,712,036	\$5,936,442	\$4,906,881	\$16,555,359
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	1,515	0	0	1,515
Receivables:				
Property Taxes	15,651,247	0	1,842,007	17,493,254
Accounts	18,041	0	0	18,041
Intergovernmental	330,796	0	239,996	570,792
Interfund	129,757	0	13,735	143,492
Accrued Interest	48,672	0	1,773	50,445
Prepaid Items	215,109	0	0	215,109
Materials and Supplies Inventory	17,210	0	7,699	24,909
Inventory Held for Resale	0	0	21,365	21,365
<i>Total Assets</i>	<u>\$22,124,383</u>	<u>\$5,936,442</u>	<u>\$7,033,456</u>	<u>\$35,094,281</u>
<b>Liabilities</b>				
Accounts Payable	\$81,182	\$0	\$30,074	\$111,256
Interfund Payable	13,735	0	129,757	143,492
Accrued Wages and Benefits Payable	2,836,777	0	229,573	3,066,350
Contracts Payable	0	0	199,399	199,399
Matured Sick Leave Benefits Payable	31,914	0	0	31,914
Intergovernmental Payable	591,277	0	32,994	624,271
<i>Total Liabilities</i>	<u>3,554,885</u>	<u>0</u>	<u>621,797</u>	<u>4,176,682</u>
<b>Deferred Inflows of Resources</b>				
Property Taxes	6,288,097	0	654,490	6,942,587
Unavailable Revenue	1,938,858	0	245,299	2,184,157
<i>Total Deferred Inflows of Resources</i>	<u>8,226,955</u>	<u>0</u>	<u>899,789</u>	<u>9,126,744</u>
<b>Fund Balances</b>				
Nonspendable	233,834	0	7,699	241,533
Restricted	0	0	2,630,833	2,630,833
Committed	490,619	5,936,442	1,454,216	7,881,277
Assigned	4,436,564	0	1,495,533	5,932,097
Unassigned (Deficit)	5,181,526	0	(76,411)	5,105,115
<i>Total Fund Balances</i>	<u>10,342,543</u>	<u>5,936,442</u>	<u>5,511,870</u>	<u>21,790,855</u>
<i>Total Liabilities , Deferred Inflows of Resources and Fund Balances</i>	<u>\$22,124,383</u>	<u>\$5,936,442</u>	<u>\$7,033,456</u>	<u>\$35,094,281</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, 2024*

<b>Total Governmental Fund Balances</b>		<b>\$21,790,855</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.		32,417,236
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Delinquent Property Taxes	1,751,748	
Intergovernmental Revenues	74,646	
Tuition and Fees	319,769	
Investment Earnings/Interest	36,156	
Miscellaneous	<u>1,838</u>	2,184,157
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.		388,599
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.		(198,608)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Sick Leave Benefits Payable		(1,907,698)
The net pension and OPEB liability (asset) 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	1,751,849	
Deferred Outflows - Pension	5,682,308	
Deferred Inflows - Pension	(1,406,367)	
Net Pension Liability	(25,703,976)	
Deferred Outflows - OPEB	1,356,579	
Deferred Inflows - OPEB	(3,057,687)	
Net OPEB Liability	<u>(1,932,849)</u>	<u>(23,310,143)</u>
Net Position of Governmental Activities		<u><u>\$31,364,398</u></u>
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, 2024*

	General	(Formerly Major) ESSER and ARP Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property Taxes	\$15,024,626	\$0	\$0	\$1,609,466	\$16,634,092
Intergovernmental	13,739,122	0	0	3,380,518	17,119,640
Investment Earnings/Interest	768,551	0	0	25,229	793,780
Charges for Services and Sales	0	0	0	244,824	244,824
Tuition and Fees	1,039,694	0	0	48,144	1,087,838
Gifts and Donations	17,220	0	0	23,650	40,870
Extracurricular Activities	38,048	0	0	129,791	167,839
Miscellaneous	9,108	0	0	0	9,108
<i>Total Revenues</i>	<u>30,636,369</u>	<u>0</u>	<u>0</u>	<u>5,461,622</u>	<u>36,097,991</u>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	13,845,002	0	0	350,442	14,195,444
Special	1,838,408	0	0	1,155,861	2,994,269
Vocational	92,023	0	0	0	92,023
Intervention	273,436	0	0	0	273,436
Support Services:					
Pupils	1,268,035	0	0	74,940	1,342,975
Instructional Staff	700,689	0	0	105,181	805,870
Board of Education	139,401	0	0	0	139,401
Administration	2,338,654	0	0	0	2,338,654
Fiscal	670,272	0	0	22,952	693,224
Operation and Maintenance of Plant	2,044,841	0	0	116,878	2,161,719
Pupil Transportation	1,756,120	0	0	0	1,756,120
Central	150,205	0	0	9,757	159,962
Operation of Non-Instructional Services:					
Food Service Operations	2,734	0	0	1,584,205	1,586,939
Other	0	0	0	4,974	4,974
Extracurricular Activities	717,460	0	0	140,406	857,866
Capital Outlay	23,004	0	137,146	2,283,544	2,443,694
<i>Total Expenditures</i>	<u>25,860,284</u>	<u>0</u>	<u>137,146</u>	<u>5,849,140</u>	<u>31,846,570</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>4,776,085</u>	<u>0</u>	<u>(137,146)</u>	<u>(387,518)</u>	<u>4,251,421</u>
<b>Other Financing Sources (Use)</b>					
Proceeds from Sale of Capital Assets	20,516	0	0	0	20,516
Transfers In	500,000	0	0	1,920,469	2,420,469
Transfers Out	(1,920,469)	0	(500,000)	0	(2,420,469)
<i>Total Other Financing Sources (Use)</i>	<u>(1,399,953)</u>	<u>0</u>	<u>(500,000)</u>	<u>1,920,469</u>	<u>20,516</u>
<i>Net Change in Fund Balance</i>	<u>3,376,132</u>	<u>0</u>	<u>(637,146)</u>	<u>1,532,951</u>	<u>4,271,937</u>
<i>Fund Balances (Deficit) Beginning of Year as Previously Reported</i>	6,966,411	(56,629)	6,573,588	4,035,548	17,518,918
<i>Change from Major Fund to Nonmajor Fund Adjustments - See Note 3</i>	<u>0</u>	<u>56,629</u>	<u>0</u>	<u>(56,629)</u>	<u>0</u>
<i>Adjusted Fund Balances Beginning of Year</i>	<u>6,966,411</u>	<u>0</u>	<u>6,573,588</u>	<u>3,978,919</u>	<u>17,518,918</u>
<i>Fund Balances End of Year</i>	<u>\$10,342,543</u>	<u>\$0</u>	<u>\$5,936,442</u>	<u>\$5,511,870</u>	<u>\$21,790,855</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, 2024*

<b>Net Change in Fund Balances - Total Governmental Funds</b>		<b>\$4,271,937</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/amortization expense. This is the amount by which capital outlay exceeded depreciation/amortization:		
Capital Asset Additions	3,268,001	
Depreciation/Amortization Expense	<u>(2,532,816)</u>	735,185
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 gain on disposal of capital assets:		
Gain on Disposal of Capital Assets	12,096	
Proceeds from Sale of Capital Assets	<u>(20,516)</u>	(8,420)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Delinquent Property Taxes	5,616	
Intergovernmental Revenues	(66,840)	
Tuition and Fees	49,434	
Investment Earnings/Interest	9,662	
Miscellaneous	<u>14</u>	(2,114)
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.		(391,957)
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	(97,883)	
Sick Leave Benefits Payable	<u>(7,162)</u>	(105,045)
Contractually required contributions are reported as expenditures in the governmental funds; however, the statement of net position reports these amounts as deferred outflows:		
Pension	2,345,334	
OPEB	<u>76,853</u>	2,422,187
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	(2,775,274)	
OPEB	<u>232,529</u>	<u>(2,542,745)</u>
<i>Change in Net Position of Governmental Activities</i>		<b><u>\$4,379,028</u></b>
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, 2024*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$10,070,362	\$10,070,362	\$11,780,996	\$1,710,634
Intergovernmental	13,850,549	13,850,549	13,765,371	(85,178)
Interest	400,000	400,000	712,920	312,920
Tuition and Fees	795,359	798,359	1,039,694	241,335
Gifts and Donations	2,000	2,000	0	(2,000)
Miscellaneous	12,084	12,084	16,379	4,295
<i>Total Revenues</i>	<u>25,130,354</u>	<u>25,133,354</u>	<u>27,315,360</u>	<u>2,182,006</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	12,936,582	12,939,582	13,902,246	(962,664)
Special	2,819,030	2,819,030	1,868,696	950,334
Vocational	101,515	101,515	90,831	10,684
Intervention	330,435	330,435	285,102	45,333
Support Services:				
Pupils	1,480,291	1,480,291	1,265,937	214,354
Instructional Staff	760,491	760,491	717,324	43,167
Board of Education	191,276	191,276	142,728	48,548
Administration	2,630,901	2,630,901	2,353,998	276,903
Fiscal	688,719	688,719	671,428	17,291
Operation and Maintenance of Plant	2,217,132	2,217,132	2,123,356	93,776
Pupil Transportation	1,838,074	1,838,074	1,713,347	124,727
Central	208,663	208,663	151,333	57,330
Operation of Non-Instructional Services:				
Food Service Operations	99,754	99,754	2,510	97,244
Extracurricular Activities	653,901	653,901	696,151	(42,250)
Capital Outlay	156,335	156,335	23,004	133,331
<i>Total Expenditures</i>	<u>27,113,099</u>	<u>27,116,099</u>	<u>26,007,991</u>	<u>1,108,108</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,982,745)</u>	<u>(1,982,745)</u>	<u>1,307,369</u>	<u>3,290,114</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	160,000	160,000	145,000	(15,000)
Transfers In	0	0	500,000	500,000
Proceeds from Sale of Capital Assets	3,516	3,516	3,516	0
Advances Out	(378,000)	(378,000)	(120,000)	258,000
Transfers Out	0	0	(1,920,469)	(1,920,469)
<i>Total Other Financing Sources (Uses)</i>	<u>(214,484)</u>	<u>(214,484)</u>	<u>(1,391,953)</u>	<u>(1,177,469)</u>
<i>Net Change in Fund Balance</i>	<u>(2,197,229)</u>	<u>(2,197,229)</u>	<u>(84,584)</u>	<u>2,112,645</u>
<i>Fund Balance Beginning of Year</i>	<u>4,643,962</u>	<u>4,643,962</u>	<u>4,643,962</u>	<u>0</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>321,713</u>	<u>321,713</u>	<u>321,713</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$2,768,446</u></u>	<u><u>\$2,768,446</u></u>	<u><u>\$4,881,091</u></u>	<u><u>\$2,112,645</u></u>

See accompanying notes to the basic financial statements

**Franklin Local School District, Ohio**

*Statement of Fund Net Position*

*Internal Service Fund*

*June 30, 2024*

	Medical-Dental Insurance
<b>Current Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$978,050
<b>Current Liabilities</b>	
Claims Payable	589,451
<b>Net Position</b>	
Unrestricted	\$388,599

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, 2024*

	Medical-Dental Insurance
<b>Operating Revenues</b>	
Charges for Services	<u>\$5,163,900</u>
<b>Operating Expenses</b>	
Purchased Services	581,341
Claims	<u>4,974,516</u>
<i>Total Operating Expenses</i>	<u>5,555,857</u>
<i>Operating Loss</i>	(391,957)
<i>Net Position Beginning of Year</i>	<u>780,556</u>
<i>Net Position End of Year</i>	<u><u>\$388,599</u></u>

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, 2024*

	<u>Medical-Dental Insurance</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Transactions with Other Funds	\$5,163,900
Cash Payments to Suppliers for Services	(581,341)
Cash Payments for Claims	<u>(4,646,509)</u>
<i>Net Decrease in Cash and Cash Equivalents</i>	(63,950)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>1,042,000</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$978,050</u></u>
<b>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</b>	
Operating Loss	(\$391,957)
<b>Changes in Liabilities</b>	
Increase in Claims Payable	<u>328,007</u>
<i>Net Cash Used for Operating Activities</i>	<u><u>(\$63,950)</u></u>

See accompanying notes to the basic financial statements

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2024*

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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 110 classified employees, 164 certificated full-time teaching personnel, and 18 administrative employees who provide services to 1,848 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 19 and 20 to the basic financial statements.

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2024*

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

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

**Basis of Presentation**

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

***Government-wide Financial Statements*** The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The statements usually distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts, or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The School District does not have any business-type activities.

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.

**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 two categories: governmental and proprietary.

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2024*

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

***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.

***Capital Projects Fund*** The Capital Projects Fund accounts for and reports specific monies used to acquire, construct, or improve the District's school buildings, grounds, and/or vehicles.

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.

### **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 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.

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2024*

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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.

**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 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 7). 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/interest, tuition and fees, and grants.

***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, represents a consumption of net assets 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 pension and OPEB. The deferred outflows of resources related to pension and OPEB are explained in Notes 12 and 13.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represents an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2024, but which were levied to finance year 2025 operations. These amounts have been recorded as deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only



**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2024*

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on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, intergovernmental, tuition and fees, investment earnings/interest, and miscellaneous revenue. 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 found on page 18. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position (See Notes 12 and 13).

***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 Investments**

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

During fiscal year 2024, investments were limited to federal agency securities and negotiable certificates of deposit. Investments in these deposits are reported at fair value based on quoted market prices. 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 equity in pooled cash and cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Investment Earnings/Interest revenue credited to the General Fund during 2024 amounted to \$768,551, which includes \$523,485 assigned from other School District funds.

### **Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2024, 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, 2024*

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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 and capital asset groupings (except for intangible right-to-use subscription assets which are discussed below) are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. 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 capital assets to be capitalized and using an appropriate price level index to deflate the cost to the acquisition year or estimated acquisition year). The School District maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

The School District is reporting intangible right to use assets related to subscription assets. Subscription assets represent intangible right to use assets related to the use of another party's IT software. These intangible right to use assets are being amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying asset.

**Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or 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. Restricted assets in the General Fund represent money set aside for unclaimed monies.

**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.

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2024*

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

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

**Accrued Liabilities and Long-term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund 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 judgements and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. 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. Debt related items recognized as a liability on the governmental fund financial statements when due; however, the School District has no debt related items. The School District's subscription items were paid in full at the beginning of the subscription period.

**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.

**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.

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2024*

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**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.

**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).

**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 2025’s appropriated budget.

**Unassigned:** The unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2024*

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

**Net Position**

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use 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. Restricted Net Position for the OPEB plan represents the corresponding restricted asset amounts held in trust by the OPEB plan for future benefits.

**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 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.

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2024*

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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.

**Note 3 - Change in Accounting Principles, Changes to or within the Financial Reporting Entity, and Restatement of Fund Balances and Net Position**

***Change in Accounting Principles***

For fiscal year 2024, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 100, Accounting Changes and Error Corrections, and the related guidance from GASB Implementation Guide No. 2023-1, Implementation Guidance Update - 2023. The School District also implemented Question 5.1 from GASB Implementation Guide No. 2021-1, Implementation Guidance Update - 2021.

GASB 100 will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision-useful, understandable, and comprehensive information for users about accounting changes and error corrections.

Question 5.1 from Implementation Guide 2021-1 addresses the collective significance of applying the capitalization threshold to individual items in a group of assets. The School District reviewed its capital asset groupings and determined there were no asset groups where individually the assets were under the capitalization threshold yet were significant collectively.

The implementation of GASB Statement No. 100 and Implementation Guides did not have an effect on beginning net position but had an effect on beginning Fund Balances.

In an effort to promote comparability with other governments, the School District updated its calculation of net position restricted for pension and OPEB plans for fiscal year 2024. This change had no impact on beginning net position, but rather impacted the amounts presented as net position restricted for an OPEB plan and unrestricted net position.

***Changes to or within the Financial Reporting Entity***

For fiscal year 2024, the Elementary and Secondary School Emergency Relief Program (ESSER) special revenue fund presentation was adjusted from major to nonmajor due to no longer meeting the quantitative threshold for a major fund. This change is separately displayed in the financial statements.

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2024*

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**Note 4 - Accountability**

The following funds had a deficit fund balances as of June 30, 2024:

<u>Special Revenue Funds</u>	<u>Amount</u>
Title I	(\$43,586)
Title VI-B	(32,825)

These deficits are the result of the recognition of payables in accordance with generally accepted accounting principles as well as short-term interfund loans from the General Fund needed for operations until the receipt of grant monies. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**Note 5 - Budgetary Basis of Accounting**

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

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

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2024*

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	\$3,376,132
Net Adjustment for Revenue Accruals	(3,231,017)
Prepaid Items:	
Beginning of Fiscal Year	214,970
End of Fiscal Year	(215,109)
Unreported Cash:	
Beginning of Fiscal Year	116,754
End of Fiscal Year	(90,912)
Fair Market Value:	
Beginning of Fiscal Year	(210,262)
End of Fiscal Year	138,747
Negative cash advance to other funds:	
Beginning of Fiscal Year	(149,425)
Net Adjustment for Expenditure Accruals	85,551
Advances In	145,000
Advances Out	(120,000)
To reclassify excess of revenues and other sources of financial resources over expenditures and other uses of financial resources into financial statement fund types.	39,191
Adjustment for Encumbrances	(184,204)
Budget Basis	<u><u>(\$84,584)</u></u>

**Note 6 - 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.



**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2024*

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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;
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.

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2024

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, 2024, the School District had the following investments:

<u>Measurement/Investment</u>	<u>Measurement Amount</u>	<u>Maturity</u>	<u>Moody's Rating</u>	<u>Percent of Total Investments</u>
Fair Value - Level Two Inputs:				
Federal Home Loan Mortgage	\$288,617	Less than five years	AAA	4.11%
Federal Farm Credit Bank	238,155	Less than one year	AAA	3.39%
Federal Home Loan Bank	1,995,858	Less than five years	AAA	28.44%
U S Treasury Bill	982,479	Less than one year	AAA	14.00%
Negotiable Certificates of Deposit	<u>3,511,762</u>	Less than four years	N/A	50.06%
Total Investments	<u>\$7,016,871</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, 2024. Investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 Inputs)

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

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

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

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2024*

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**Note 7 - 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 2024 represents collections of calendar year 2023 taxes. Real property taxes received in calendar year 2024 were levied after April 1, 2023, on the assessed value listed as of January 1, 2023, 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 2024 represents collections of calendar year 2023 taxes. Public utility real property taxes received in calendar year 2024 became a lien December 31, 2022, were levied after April 1, 2023, 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, 2024, are available to finance fiscal year 2025 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, 2024, 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, 2024, was \$8,798,919 and is recognized as revenue: \$7,782,941 in the General Fund, \$148,881 in the Classroom Facilities Maintenance Special Revenue Fund, and \$867,097 in the Permanent Improvement Capital Projects Funds. The amount available as an advance at June 30, 2023, was \$5,018,232 and is recognized as revenue: \$4,539,311 in the General Fund, \$72,549 in the Classroom Facilities Maintenance Special Revenue Fund, and \$406,372 in the Permanent Improvement Capital Projects Funds.

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2024*

The assessed values upon which the fiscal year 2024 taxes were collected are:

	2023 Second- Half Collections		2024 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$245,511,310	48.84%	\$252,199,500	51.12%
Public Utility Personal	257,178,970	51.16%	241,159,560	48.88%
Total	<u>\$502,690,280</u>	<u>100.00%</u>	<u>\$493,359,060</u>	<u>100.00%</u>
Tax Rate per \$1,000 of assessed valuation	\$34.40		\$34.40	

**Note 8 - Receivables**

Receivables at June 30, 2024, consisted of property taxes, accrued interest, accounts (tuition and fees, miscellaneous, and intergovernmental), interfund, and intergovernmental.

All receivables, except for delinquent 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 \$1,751,748 as of June 30, 2024.

A summary of intergovernmental receivables are as follows:

	Amounts
<b>Governmental Activities:</b>	
School Lunch Reimbursement	\$22,654
Idea Part B	105,045
Title I	110,800
Medicare	6,606
State Foundation Adjustment	303,380
Title II-A	1,497
Miscellaneous Reimbursements	<u>20,810</u>
Total	<u>\$570,792</u>

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2024*

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**Note 9 - Interfund Balances and Transfers**

**Interfund Balances**

Interfund balances at June 30, 2024, consist of the following individual fund receivables and payables:

	<u>Interfund Payable</u>	<u>Interfund Receivable</u>
<b>Governmental Funds:</b>		
General Fund	\$13,735	\$129,757
Other Nonmajor Governmental Funds:		
Early Childhood Education	10,000	0
Network Connectivity	9,757	0
Title I	55,000	0
Title II-A	10,000	0
Title VI-B	45,000	13,735
Total Other Nonmajor Governmental Funds	<u>129,757</u>	<u>13,735</u>
<b>Total All Funds</b>	<u><u>\$143,492</u></u>	<u><u>\$143,492</u></u>

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.

**Transfers**

The School District transferred \$2,420,469 between the General Fund and various special revenue and capital project funds for operations during the fiscal year. Among these, during the current fiscal year, is a \$500,000 transfer from the Capital Project Fund to the General Fund. When this fund was established, there were timeframes acknowledged that the original transfer would be spent or returned to the General Fund.

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**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2024

**Note 10 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2024, was as follows:

	Balance 06/30/2023	Additions	Reductions	Balance 06/30/2024
<b>Governmental Activities</b>				
<i><b>Nondepreciable Capital Assets</b></i>				
Land	\$1,450,492	\$0	\$0	\$1,450,492
Construction in Progress	7,519,379	2,039,802	(9,032,296)	526,885
<i>Total Nondepreciable Capital Assets</i>	8,969,871	2,039,802	(9,032,296)	1,977,377
<i><b>Depreciable Capital Assets</b></i>				
<i><b>Tangible Assets</b></i>				
Land Improvements	5,595,623	502,960	(323,850)	5,774,733
Buildings and Improvements	50,298,302	8,374,835	0	58,673,137
Furniture and Equipment	3,966,031	1,130,102	(76,324)	5,019,809
Vehicles	3,018,628	252,598	(170,392)	3,100,834
<i>Total Tangible Assets</i>	62,878,584	10,260,495	(570,566)	72,568,513
<i><b>Subscription Assets</b></i>				
Intangible Right to Use - Software	235,904	0	0	235,904
<i>Total Depreciable Capital Assets</i>	63,114,488	10,260,495	(570,566)	72,804,417
<i><b>Less Accumulated Depreciation/Amortization</b></i>				
<i><b>Depreciation</b></i>				
Land Improvements	(3,109,269)	(338,370)	323,850	(3,123,789)
Buildings and Improvements	(33,383,856)	(1,922,187)	0	(35,306,043)
Furniture and Equipment	(2,630,118)	(88,501)	70,744	(2,647,875)
Vehicles	(1,202,929)	(114,498)	167,552	(1,149,875)
<i>Total Depreciation</i>	(40,326,172)	(2,463,556)	562,146	(42,227,582)
<i><b>Subscription Assets</b></i>				
Intangible Right to Use - Software	(67,716)	(69,260)	0	(136,976)
<i>Total Accumulated Depreciation/Amortization</i>	(40,393,888)	(2,532,816) *	562,146	(42,364,558)
<i>Total Depreciable Capital Assets, Net</i>	22,720,600	7,727,679	(8,420)	30,439,859
<i>Governmental Activities Capital Assets, Net</i>	\$31,690,471	\$9,767,481	(\$9,040,716)	\$32,417,236

Included in the additions and deletions in the above table is a reclass of construction in progress in the amount of \$9,032,296 as a result of completion of various projects. Of this amount, \$8,374,835 was reclassified to buildings and improvements and \$657,461 was reclassified to furniture and equipment.

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2024

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

	<u>Depreciation</u>	<u>Amortization</u>	<u>Total</u>
Instruction:			
Regular	\$844,187	\$69,260	\$913,447
Special	420,345	0	420,345
Vocational	23,793	0	23,793
Intervention	39,655	0	39,655
Support Services:			
Pupils	118,965	0	118,965
Instructional Staff	55,517	0	55,517
Administration	198,276	0	198,276
Fiscal	23,793	0	23,793
Operation and Maintenance of Plant	150,690	0	150,690
Pupil Transportation	198,276	0	198,276
Central	15,862	0	15,862
Food Service Operations	158,621	0	158,621
Extracurricular Activities	215,576	0	215,576
Total	<u>\$2,463,556</u>	<u>\$69,260</u>	<u>\$2,532,816</u>

## Note 11 - 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 2024, the School District contracted with Schools for Ohio Risk Sharing Authority for the insurance shown as follows.

Property and Inland Marine – replacement cost (\$250 deductible)	\$121,675,688
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 2024, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 20). 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.

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2024*

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**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 covered by the Board of Education are \$640.77 monthly for single and \$1,556.28 monthly for family. The dental coverage premiums covered by the Board of Education are \$39.93 monthly for single and \$45.21 for family. The claims liability of \$589,451 reported in the internal service fund at June 30, 2024, 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 \$4,979,444 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.

Changes in the fund's claims liability amount in fiscal years 2023 and 2024 were:

	Balance at Beginning of Fiscal Year	Current Year Claims	Claim Payments	Balance at End of Fiscal Year
2023	\$481,300	\$3,835,075	\$4,054,931	\$261,444
2024	261,444	4,974,516	4,646,509	589,451

**Note 12 - Defined Benefit Pension Plans**

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

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

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



**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2024*

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 13 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.

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. 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

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2024*

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on the anniversary date of the benefit. The COLA is indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. The Retirement Board approved a 2.5 percent COLA for calendar year 2023.

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, 2024, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2024, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The School District's contractually required contribution to SERS was \$623,511 for fiscal year 2024. Of this amount, \$97,937 is reported as an intergovernmental payable.

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

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

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final 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 upon a determination by its actuary that it was necessary 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. Effective July 1, 2022, a one-time ad-hoc COLA of 3 percent of the base benefit was granted to eligible benefit recipients to begin on the anniversary of their retirement benefit in fiscal year 2023 as long as they retired prior to July 1, 2018. Effective July 1, 2023, a one-time ad-hoc COLA of 1 percent of the base benefit was granted to eligible benefit recipients to begin on the anniversary of their retirement benefit in fiscal year 2024 as long as they retired prior to July 1, 2019. Pursuant to Ohio Revised Code 3307.67(E) the STRS Ohio Retirement Board may adjust the COLA upon a determination by the board's actuary that a change will not materially impair the fiscal integrity of the system or is necessary to preserve the fiscal integrity of the system. Eligibility changes will be phased in until August 1, 2023, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 34 years of service credit at any age.

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 regardless of age.

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2024*

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The DC Plan allows members to place all their member contributions and 11.09 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 2.91 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 on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. 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 2024 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For 2024, the full employer contribution was allocated to pension.

The School District's contractually required contribution to STRS was \$1,721,823 for fiscal year 2024. Of this amount, \$297,875 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, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2024

	SERS	STRS	
Proportion of the Net Pension Liability:			
Current Measurement Date	0.11412920%	0.09007572%	
Prior Measurement Date	0.11063340%	0.08977525%	
Change in Proportionate Share	<u>0.00349580%</u>	<u>0.00030047%</u>	
			<u>Total</u>
Proportionate Share of the Net			
Pension Liability	\$6,306,226	\$19,397,750	\$25,703,976
Pension Expense	\$912,281	\$1,862,993	\$2,775,274

At June 30, 2024, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$271,055	\$707,201	\$978,256
Changes of assumptions	44,671	1,597,510	1,642,181
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	183,965	532,572	716,537
School District contributions subsequent to the measurement date	<u>623,511</u>	<u>1,721,823</u>	<u>2,345,334</u>
Total Deferred Outflows of Resources	<u>\$1,123,202</u>	<u>\$4,559,106</u>	<u>\$5,682,308</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$0	\$43,044	\$43,044
Changes of assumptions	0	1,202,466	1,202,466
Net difference between projected and actual earnings on pension plan investments	88,639	58,136	146,775
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	<u>0</u>	<u>14,082</u>	<u>14,082</u>
Total Deferred Inflows of Resources	<u>\$88,639</u>	<u>\$1,317,728</u>	<u>\$1,406,367</u>

\$2,345,334 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 fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2024

Fiscal Year Ending June 30:	SERS	STRS	Total
2025	\$145,698	\$112,318	\$258,016
2026	(184,783)	(408,429)	(593,212)
2027	445,439	1,923,209	2,368,648
2028	4,698	(107,543)	(102,845)
Total	<u>\$411,052</u>	<u>\$1,519,555</u>	<u>\$1,930,607</u>

**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. Future benefits for all current plan members were projected through 2137.

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, 2023, are presented below:

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

Mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members was based

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2024

upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

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

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. As of June 30, 2023:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00 %	0.75 %
US Equity	24.75	4.82
Non-US Equity Developed	13.50	5.19
Non-US Equity Emerging	6.75	5.98
Fixed Income/Global Bonds	19.00	2.24
Private Equity	12.00	7.49
Real Estate/Real Assets	17.00	3.70
Private Debt/Private Credit	5.00	5.64
Total	<u>100.00 %</u>	

**Discount Rate** The total pension liability for 2023 was calculated using the discount rate of 7.00 percent. The discount rate determination did not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 21-year amortization period of the unfunded actuarial accrued liability. The actuarially determined contribution rate for fiscal year 2023 was 14 percent. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.00 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability. The annual money-weighted rate of return, calculated as the internal rate of return on pension plan investments, for fiscal year 2023 was 6.90 percent.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.00 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent), or one percentage point higher (8.00 percent) than the current rate.

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2024*

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	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net pension liability	\$9,307,668	\$6,306,226	\$3,778,083

**Actuarial Assumptions - STRS**

Key methods and assumptions used in the June 30, 2023, actuarial valuation are presented below:

Inflation	2.50 percent
Salary increases	From 2.5 percent to 8.5 percent based on service
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation
Discount Rate of Return	7.00 percent
Payroll Increases	3.00 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017

Post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Actuarial assumptions used in the June 30, 2023, valuation are based on the results of an actuarial experience study for the period July 1, 2015, through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

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:

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2024

<u>Asset Class</u>	<u>Target Allocation *</u>	<u>Long-Term Expected Rate of Return **</u>
Domestic Equity	26.00%	6.60%
International Equity	22.00	6.80
Alternatives	19.00	7.38
Fixed Income	22.00	1.75
Real Estate	10.00	5.75
Liquidity Reserves	1.00	1.00
Total	<u>100.00%</u>	

\* Final target weights reflected at October 1, 2022.

\*\* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent, and is net of investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate** The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2023. 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, 2023. Therefore, the long-term expected rate of return on pension plan investments of 7.00 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2023.

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

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
School District's proportionate share of the net pension liability	\$29,829,447	\$19,397,750	\$10,575,390

**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, 2024, two members of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.



**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2024*

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**Note 13 - Defined Benefit OPEB Plans**

See Note 12 for a description of the net OPEB liability (asset).

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

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. The following types of credit purchased after January 29, 1981, do not count toward health care coverage eligibility: military, federal, out-of-state, municipal, private school, exempted, and early retirement incentive credit. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Annual Comprehensive Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

The Health Care program is financed through a combination of employer contributions, recipient premiums, investment returns, and any funds received on behalf of SERS' participation in Medicare programs. The System's goal is to maintain a health care reserve account with a 20-year solvency period in order to ensure that fluctuations in the cost of health care do not cause an interruption in the program. However, during any period in which the 20-year solvency period is not achieved, the System shall manage the Health Care Fund on a pay-as-you-go basis.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. 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 2024, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2024, this amount was \$30,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2024, the School District's surcharge obligation was \$76,853.

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2024*

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 \$76,853 for fiscal year 2024. Of this amount, \$76,853 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 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. Health care premiums were reduced by a Medicare Part B premium credit beginning in 2023. 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 the fiscal year ended June 30, 2024, STRS did not allocate any employer contributions to post-employment health care.

***OPEB Liability (Asset), 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, 2023, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an independent 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 (Asset):			
Current Measurement Date	0.11732400%	0.09007572%	
Prior Measurement Date	0.11305550%	0.08977525%	
Change in Proportionate Share	<u>0.00426850%</u>	<u>0.00030047%</u>	
			<u>Total</u>
Proportionate Share of the:			
Net OPEB Liability	\$1,932,849	\$0	\$1,932,849
Net OPEB (Asset)	\$0	(\$1,751,849)	(\$1,751,849)
OPEB Expense	(\$101,809)	(\$130,720)	(\$232,529)

At June 30, 2024, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2024

	SERS	STRS	Total
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$4,026	\$2,731	\$6,757
Changes of assumptions	653,553	258,073	911,626
Net difference between projected and actual earnings on OPEB plan investments	14,980	3,128	18,108
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	341,356	1,879	343,235
School District contributions subsequent to the measurement date	76,853	0	76,853
Total Deferred Outflows of Resources	<u>\$1,090,768</u>	<u>\$265,811</u>	<u>\$1,356,579</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$996,841	\$267,200	\$1,264,041
Changes of assumptions	548,947	1,155,844	1,704,791
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	79,924	8,931	88,855
Total Deferred Inflows of Resources	<u>\$1,625,712</u>	<u>\$1,431,975</u>	<u>\$3,057,687</u>

\$76,853 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, or an increase in the net OPEB asset, in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2025	(\$235,488)	(\$518,253)	(\$753,741)
2026	(195,100)	(236,931)	(432,031)
2027	(91,436)	(89,929)	(181,365)
2028	(49,921)	(122,356)	(172,277)
2029	(59,258)	(112,345)	(171,603)
Thereafter	19,406	(86,350)	(66,944)
Total	<u>(\$611,797)</u>	<u>(\$1,166,164)</u>	<u>(\$1,777,961)</u>

**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.

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2024

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, 2023, are presented below:

	<u>June 30, 2023</u>
Inflation	2.40 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent
Investment Rate of Return	7.00 percent net of investment expense
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Fiduciary Net Position is Projected to be Depleted	2048
Municipal Bond Index Rate:	
Measurement Date	3.86 percent
Prior Measurement Date	3.69 percent
Single Equivalent Interest Rate,	
Measurement Date	4.27 percent
Prior Measurement Date	4.08 percent
Health Care Cost Trend Rate	
Medical Trend Assumption	
Measurement Date	6.75 to 4.40 percent
Prior Measurement Date	7.00 to 4.40 percent

Mortality rates among healthy retirees were based on the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members was based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Mortality rates for contingent survivors were based on PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5 percent for males and adjusted 122.5 percent for females. Mortality rates for actives is based on PUB-2010 General Amount Weighted Below Median Employee mortality table. Mortality rates are projected using a fully generational projection with Scale MP-2020.

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2024*

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2016 through 2020, and was adopted by the Board on April 15, 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a long-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The 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 12.

**Discount Rate** The discount rate used to measure the total OPEB liability at June 30, 2023, was 4.27 percent. The discount rate used to measure total OPEB liability prior to June 30, 2023, was 4.08 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 1.50 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be depleted in 2048 by SERS' actuaries. The Fidelity General Obligation 20-year Municipal Bond Index Rate was used in the determination of the single equivalent interest rate for both the June 30, 2022, and the June 30, 2023, total OPEB liability. The Municipal Bond Index Rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate was 3.86 percent at June 30, 2023, and 3.69 percent at June 30, 2022.

**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 (3.27%) and higher (5.27%) than the current discount rate (4.27%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (5.75% decreasing to 3.40%) and higher (7.75% decreasing to 5.40%) than the current rate.

	1% Decrease (3.27%)	Current Discount Rate (4.27%)	1% Increase (5.27%)
School District's proportionate share of the net OPEB liability	\$2,470,733	\$1,932,849	\$1,508,704

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2024*

	1% Decrease (5.75% decreasing to 3.40%)	Current Trend Rate (6.75% decreasing to 4.40%)	1% Increase (7.75% decreasing to 5.40%)
School District's proportionate share of the net OPEB liability	\$1,419,997	\$1,932,849	\$2,612,446

***Actuarial Assumptions – STRS***

Key methods and assumptions used in the June 30, 2023, actuarial valuation compared to the prior year are presented below:

	June 30, 2023	June 30, 2022
Projected salary increases	Varies by service from 2.5 percent to 8.5 percent	Varies by service from 2.5 percent to 8.5 percent
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.00 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3 percent
Discount Rate of Return	7.00 percent	7.00 percent
Health Care Cost Trends		
Medical		
Pre-Medicare	7.50 percent initial 4.14 percent ultimate	7.50 percent initial 3.94 percent ultimate
Medicare	-10.94 percent initial 4.14 percent ultimate	-68.78 percent initial 3.94 percent ultimate
Prescription Drug		
Pre-Medicare	-11.95 percent initial 4.14 percent ultimate	9.00 percent initial 3.94 percent ultimate
Medicare	1.33 percent initial 4.14 percent ultimate	-5.47 percent initial 3.94 percent ultimate

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

Healthy retirees post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020; pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. For disabled retirees, mortality rates are based on the Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Actuarial assumptions used in the June 30, 2023, valuation are based on the results of an actuarial experience study for the period July 1, 2015, through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2024

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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 12.

**Discount Rate** The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2023. The projection of cash flows used to determine the discount rate assumed 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, 2023. Therefore, the long-term expected rate of return on health care plan investments of 7.00 percent was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2023.

**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, 2023, calculated using the current period discount rate assumption of 7.00 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net OPEB asset	(\$1,482,710)	(\$1,751,849)	(\$1,986,239)

  

	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB asset	(\$1,997,116)	(\$1,751,849)	(\$1,456,428)

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**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2024

**Note 14 - Long-Term Obligations**

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

	Principal Outstanding 06/30/2023	Additions	Reductions	Principal Outstanding 06/30/2024	Amounts Due in One Year
Net Pension Liability:					
STRS	\$19,957,153	\$0	\$559,403	\$19,397,750	\$0
SERS	5,983,915	322,311	0	6,306,226	0
Total Net Pension Liability	<u>25,941,068</u>	<u>322,311</u>	<u>559,403</u>	<u>25,703,976</u>	<u>0</u>
Net OPEB Liability - SERS	1,587,311	345,538	0	1,932,849	0
Sick Leave Benefits Payable	<u>1,900,536</u>	<u>49,476</u>	<u>42,314</u>	<u>1,907,698</u>	<u>38,727</u>
Total Governmental Activities Long-Term Liabilities	<u>\$29,428,915</u>	<u>\$717,325</u>	<u>\$601,717</u>	<u>\$29,544,523</u>	<u>\$38,727</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 Lunchroom, Latchkey, District Managed Activities, Title VI-B, and Title I Special Revenue Funds. For additional information related to the net pension and net OPEB asset/liabilities, see Notes 12 and 13.

The overall debt margin of the School District as of June 30, 2024, was \$44,402,645, with an unvoted debt margin of \$493,359.

**Note 15 - 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 - Major	\$184,204
Nonmajor Governmental Funds	<u>907,925</u>
Total	<u>\$1,092,129</u>



**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2024

**Contractual Commitments**

During fiscal year 2024, the School District had contractual purchase commitments for the following projects:

Projects	Purchase Commitments	Amounts Expended	Amounts Remaining
Duncan Falls Elem Gym and Philo High Gym Roof Projects (Non Major Permanent Improvement and Classroom Facilities Funds)	\$337,171	\$199,399	\$137,772
Philo High School Building Renovations (Capital Projects Fund)	397,300	327,486	69,814
Total	<u>\$734,471</u>	<u>\$526,885</u>	<u>\$207,586</u>

**Note 16 - Set-asides**

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

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

	Capital Improvements Reserve
Set-aside Reserve Balance as of June 30, 2023	\$0
Current Year Set-aside Requirement	393,204
Current Year Offsets	(1,211,163)
Qualifying Disbursements	(115,615)
Total	<u>(\$933,574)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$0</u>

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.

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2024

**Note 17 - Fund Balances**

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

Fund Balances	General	Capital Projects Fund	Other Governmental Funds	Total
<u>Nonspendable:</u>				
Prepaid Items	\$215,109	\$0	\$0	\$215,109
Materials and Supplies Inventory	17,210	0	7,699	24,909
Unclaimed Monies	1,515	0	0	1,515
<i>Total Nonspendable</i>	<u>233,834</u>	<u>0</u>	<u>7,699</u>	<u>241,533</u>
<u>Restricted for:</u>				
Food Service Operations	0	0	370,809	370,809
Classroom Facilities Maintenance	0	0	1,168,588	1,168,588
Debt Service	0	0	330	330
Local Grants	0	0	2,368	2,368
Capital Projects	0	0	973,710	973,710
District Managed Student Activities	0	0	115,028	115,028
<i>Total Restricted</i>	<u>0</u>	<u>0</u>	<u>2,630,833</u>	<u>2,630,833</u>
<u>Committed to:</u>				
Scholarships	0	0	37,211	37,211
After School Programs	0	0	42,545	42,545
Capital Improvements	0	5,936,442	1,374,460	7,310,902
Severance Payments	490,619	0	0	490,619
<i>Total Committed</i>	<u>490,619</u>	<u>5,936,442</u>	<u>1,454,216</u>	<u>7,881,277</u>
<u>Assigned to:</u>				
Capital Improvements	0	0	1,495,533	1,495,533
Public School Support	173,347	0	0	173,347
Purchases on Order	111,777	0	0	111,777
Assigned to Subsequent Year's Appropriations	4,151,440	0	0	4,151,440
<i>Total Assigned</i>	<u>4,436,564</u>	<u>0</u>	<u>1,495,533</u>	<u>5,932,097</u>
<u>Unassigned (Deficits):</u>	<u>5,181,526</u>	<u>0</u>	<u>(76,411)</u>	<u>5,105,115</u>
<i>Total Fund Balances</i>	<u>\$10,342,543</u>	<u>\$5,936,442</u>	<u>\$5,511,870</u>	<u>\$21,790,855</u>

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2024*

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**Note 18 - Other 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.

**Life Insurance**

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

**Note 19 - 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 composed 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 2024, the total amount paid to the Council from the School District was \$88,520 for technology services and financial accounting services and educational management information. The Jefferson County Educational Service Center serves as the fiscal agent. Financial information may be obtained from the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments at 2230 Sunset Blvd., Suite 2, Steubenville, Ohio 43952.

**Mid-East Career and Technology Center**

The Mid-East Career and Technology Center is a jointly governed organization providing vocational services to its thirteen member school districts. The Career and Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one member from each of the participating school district's boards. The board possesses its own budgeting and taxing authority. The continued existence of the Career and Technology Center is not dependent on the School District's continued participation. During fiscal year 2024, the School District paid \$825 to the Career and Technology Center.

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2024*

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Financial information may be obtained from the Mid-East Career and Technology Center at 400 Richards 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 120 school districts and other educational institutions in the 32-county region of Ohio designated as Appalachia. The CORAS is operated by a nineteen-member board composed of one elected and one appointed (one appointed seat is empty) from each of the eight regions into which the 32 Appalachian counties are divided, one dean appointment from the Ohio University College of Education, and three ex-officio members. The Board exercises total control over the operations of the CORAS including budgeting, appropriating, contracting, and designating management. Each participant's control is limited to its representation on the board. The CORAS 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 CORAS 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 CORAS. During fiscal year 2024, the School District made a payment of \$400 to CORAS, c/o Ohio University, for a membership and meeting fees. Financial information may be obtained from the Coalition of Rural and Appalachian Schools at 322 Patton 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 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 2024, the School District paid \$928 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 50 South Young Street, Suite M-102, Columbus, Ohio 43215.

**Note 20 - 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

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2024*

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of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**Schools of Ohio Risk Sharing Authority**

The School District participates in the Schools of Ohio Risk Sharing Authority (SORSA), a protected self-insurance purchasing pool under the authority of the Ohio Revised Code 2744. One hundred six school districts, educational service centers, and joint vocational school districts participate in the SORSA. SORSA is governed by a body elected by members. Members agree to jointly participate in coverages of losses and pay all contributions necessary for the specified insurance coverages provided by SORSA. These coverages 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 2024, the School District elected to participate in the self-insured joint insurance program for medical, prescription drug, dental, and vision coverage. These coverages are made available to employees, but the board does not pay an employer share portion on vision coverage.

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2024*

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**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, 2024.

**School Foundation**

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education and Workforce (DEW) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, DEW adjustments for fiscal year 2024 have been finalized. The impact FTE adjustments are not significant to the School District.

**Litigation**

As of June 30, 2024, 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 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021, while the national state of emergency ended in April 2023. During fiscal year 2024, the School District received COVID-19 funding. The School District will continue to spend available COVID-19 funding consistent with the applicable program guidelines.

**Note 23 - Subsequent Events**

Beginning in fiscal year 2025, the School District's property located in Roseville was formally closed by the School District and was approved by the Board to be sold. In November 2024, the District sold the property for \$265,618.

In September 2024, for financial statement reporting purposes, the School District updated their capital asset policy. Capital assets with a value of \$10,000 or more shall be capitalized and reported on the financial statements of the School District. Capitalization of grouped assets will be considered by the School District on a case-by-case bases considering potential materiality to the financial statements. Capital assets with a value of less than \$10,000 will be expensed in the period the obligation is made.

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

	2024	2023	2022	2021
School District's Proportion of the Net Pension Liability	0.11412920%	0.11063340%	0.10840690%	0.09296060%
School District's Proportionate Share of the Net Pension Liability	\$6,306,226	\$5,983,915	\$3,999,900	\$6,148,610
School District's Covered Payroll	\$4,571,057	\$4,188,936	\$3,790,536	\$3,279,071
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	137.96%	142.85%	105.52%	187.51%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.06%	75.82%	82.86%	68.55%

\*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



2020	2019	2018	2017	2016	2015
0.09807980%	0.09322450%	0.09958300%	0.09691620%	0.10015230%	0.10316400%
\$5,868,286	\$5,339,140	\$5,949,864	\$7,093,371	\$5,714,787	\$5,221,071
\$3,241,148	\$3,166,104	\$3,183,679	\$3,024,821	\$2,989,560	\$2,830,079
181.06%	168.63%	186.89%	234.51%	191.16%	184.48%
70.85%	71.36%	69.50%	62.98%	69.16%	71.70%

**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 Eight Fiscal Years (1) \**

	2024	2023	2022	2021
School District's Proportion of the Net OPEB Liability	0.11732400%	0.11305550%	0.11153260%	0.09500410%
School District's Proportionate Share of the Net OPEB Liability	\$1,932,849	\$1,587,311	\$2,110,847	\$2,064,749
School District's Covered Payroll	\$4,571,057	\$4,188,936	\$3,790,536	\$3,279,071
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	42.28%	37.89%	55.69%	62.97%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	30.02%	30.34%	24.08%	18.17%

(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 fiscal 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

2020	2019	2018	2017
0.10004040%	0.09468580%	0.10092960%	0.09817860%
\$2,515,807	\$2,626,840	\$2,708,685	\$2,798,453
\$3,241,148	\$3,166,104	\$3,183,679	\$3,024,821
77.62%	82.97%	85.08%	92.52%
15.57%	13.57%	12.46%	11.49%

**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 Ten Fiscal Years \**

	2024	2023	2022	2021
School District's Proportion of the Net Pension Liability	0.09007572%	0.08977525%	0.08708760%	0.08389243%
School District's Proportionate Share of the Net Pension Liability	\$19,397,750	\$19,957,153	\$11,134,932	\$20,298,983
School District's Covered Payroll	\$12,172,257	\$11,918,843	\$10,847,629	\$10,175,457
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	159.36%	167.44%	102.65%	199.49%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.00%	78.90%	87.80%	75.50%

\*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

2020	2019	2018	2017	2016	2015
0.08273438%	0.08369804%	0.08433844%	0.08895376%	0.09023920%	0.09364744%
\$18,296,211	\$18,403,321	\$20,034,777	\$29,775,504	\$24,939,475	\$22,778,298
\$9,766,486	\$9,538,343	\$9,301,686	\$9,342,693	\$9,415,186	\$9,521,862
187.34%	192.94%	215.39%	318.70%	264.89%	239.22%
77.40%	77.30%	75.30%	66.80%	72.10%	74.70%

**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 Eight Fiscal Years (1) \**

	2024	2023	2022	2021
School District's Proportion of the Net OPEB (Asset) Liability	0.09007572%	0.08977525%	0.08708760%	0.08389243%
School District's Proportionate Share of the Net OPEB (Asset) Liability	(\$1,751,849)	(\$2,324,580)	(\$1,836,172)	(\$1,474,408)
School District's Covered Payroll	\$12,172,257	\$11,918,843	\$10,847,629	\$10,175,457
School District's Proportionate Share of the Net OPEB (Asset) Liability as a Percentage of its Covered Payroll	-14.39%	-19.50%	-16.93%	-14.49%
Plan Fiduciary Net Position as a Percentage of the Total OPEB (Asset) Liability	168.50%	230.70%	174.70%	182.10%

(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 fiscal 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

2020	2019	2018	2017
0.08273438%	0.08369804%	0.08433844%	0.08895376%
(\$1,370,280)	(\$1,344,943)	\$3,290,575	\$4,757,270
\$9,766,486	\$9,538,343	\$9,301,686	\$9,342,693
-14.03%	-14.10%	35.38%	50.92%
174.70%	176.00%	47.10%	37.30%

**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*

	2024	2023	2022	2021
<b>Net Pension Liability</b>				
Contractually Required Contribution	\$623,511	\$639,948	\$586,451	\$530,675
Contributions in Relation to the Contractually Required Contribution	<u>(623,511)</u>	<u>(639,948)</u>	<u>(586,451)</u>	<u>(530,675)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$4,453,650	\$4,571,057	\$4,188,936	\$3,790,536
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 (2)	\$76,853	\$73,483	\$71,558	\$70,499
Contributions in Relation to the Contractually Required Contribution	<u>(76,853)</u>	<u>(73,483)</u>	<u>(71,558)</u>	<u>(70,499)</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>1.73%</u>	<u>1.61%</u>	<u>1.71%</u>	<u>1.86%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>15.73%</u>	<u>15.61%</u>	<u>15.71%</u>	<u>15.86%</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



2020	2019	2018	2017	2016	2015
\$459,070	\$437,555	\$427,424	\$445,715	\$423,475	\$394,024
(459,070)	(437,555)	(427,424)	(445,715)	(423,475)	(394,024)
\$0	\$0	\$0	\$0	\$0	\$0
\$3,279,071	\$3,241,148	\$3,166,104	\$3,183,679	\$3,024,821	\$2,989,560
14.00%	13.50%	13.50%	14.00%	14.00%	13.18%
\$54,123	\$75,055	\$67,471	\$54,435	\$49,527	\$73,950
(54,123)	(75,055)	(67,471)	(54,435)	(49,527)	(73,950)
\$0	\$0	\$0	\$0	\$0	\$0
1.65%	2.32%	2.13%	1.71%	1.64%	2.47%
15.65%	15.82%	15.63%	15.71%	15.64%	15.65%

**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>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b>Net Pension Liability</b>				
Contractually Required Contribution	\$1,721,823	\$1,704,116	\$1,668,638	\$1,518,668
Contributions in Relation to the Contractually Required Contribution	<u>(1,721,823)</u>	<u>(1,704,116)</u>	<u>(1,668,638)</u>	<u>(1,518,668)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$12,298,736	\$12,172,257	\$11,918,843	\$10,847,629
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

(1) Although the covered payroll for the net OPEB liability is the same as the net pension liability, there were no OPEB related required contributions for 2015-2024 as STRS did not allocate any employer contributions to postemployment health care. There is no required supplementary information to present related to the statutorily established employer contribution requirements for the net OPEB liability.

See accompanying notes to the required supplementary information

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$1,424,564	\$1,367,308	\$1,335,368	\$1,302,236	\$1,307,977	\$1,318,126
<u>(1,424,564)</u>	<u>(1,367,308)</u>	<u>(1,335,368)</u>	<u>(1,302,236)</u>	<u>(1,307,977)</u>	<u>(1,318,126)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$10,175,457	\$9,766,486	\$9,538,343	\$9,301,686	\$9,342,693	\$9,415,186
<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, 2024*

**Net Pension Liability**

**Changes in Benefit Terms/Assumptions – SERS**

Beginning in fiscal year 2018, on each anniversary of the initial retirement, the allowance of all retirees and survivors may be increased by the annual rate of increase in the CPI-W measured as of the June preceding the beginning of the applicable calendar year. The annual rate of increase shall not be less than 0 percent nor greater than 2.5 percent. The COLA was suspended for 2018-2020. Prior to 2018, an assumption of 3 percent was used. For 2021, the cost-of-living adjustment was reduced from 2.5 percent to 2 percent. For 2023 and 2024, the cost-of-living adjustment was increased from 2 percent to 2.5 percent.

Amounts reported in 2022 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 prior years are presented below:

	Fiscal Year 2022	Fiscal Years 2021-2017	Fiscal Years 2016 and Prior
Wage Inflation	2.4 percent	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.0 percent net of system expenses	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Beginning in 2022, amounts reported use mortality rates based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members was based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

Amounts reported for 2017 through 2021 use mortality rates that are based on the RP-2014 Blue Collar Mortality Table with a 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 2022, 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 years 2018-2021 and fiscal years 2017 and prior are presented as follows:

**Franklin Local School District, Ohio**  
*Notes to Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2024*

	<u>Fiscal Year 2022</u>	<u>Fiscal Years 2021-2018</u>	<u>Fiscal Years 2017 and Prior</u>
Inflation	2.50 percent	2.50 percent	2.75 percent
Projected salary increases	Varies by Service from 2.5 percent to 8.5 percent	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	See Below	See Below	See Below
Payroll Increases	3 percent	3 percent	3.5 percent
Cost-of-Living Adjustment (COLA)	0.0 percent, effective July 1, 2017	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 after August 1, 2013, or later, COLA commences on fifth anniversary of retirement date.

Investment rate of return:

Fiscal Years 2022 through 2024	7.00 percent, net of investment expenses, including inflation
Fiscal Years 2018 through 2021	7.45 percent, net of investment expenses, including inflation
Fiscal Year 2017 and prior	7.75 percent, net of investment expenses, including inflation

Beginning with fiscal year 2022, post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Beginning with fiscal year 2018, post-retirement mortality rates for healthy retirees were based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For fiscal years 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 ages 90 and above. Females younger than age 80 are set back four years, one-year set-back from ages 80 through 89, and no setback from ages 90 and above.

**Franklin Local School District, Ohio**  
*Notes to Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2024*

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**Changes in Benefit Term – STRS Pension**

For 2024, demographic assumptions were changed based on the actuarial experience study for the period July 1, 2015, through June 30, 2021.

For fiscal year 2023, the Board approved a one-time 3 percent COLA effective on the anniversary of a benefit recipient's retirement date for those eligible during fiscal year 2023 and eliminated the age 60 requirement to receive unreduced retirement that was scheduled to go into effect August 1, 2026.

**Net OPEB Liability**

**Changes in Assumptions – SERS**

Beginning with fiscal year 2022, amounts reported incorporate changes in assumptions and changes in benefit terms used by SERS in calculating the total OPEB liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2021 and prior are presented below:

	2022	2021 and Prior
Inflation	2.40 percent	3.00 percent
Future Salary Increases, including inflation Wage Increases	3.25 percent to 13.58 percent	3.50 percent to 18.20 percent
Investment Rate of Return	7.00 percent net of investment expense, including inflation	7.50 percent net of investment expense, including inflation

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 2024	3.86 percent
Fiscal year 2023	3.69 percent
Fiscal year 2022	1.92 percent
Fiscal year 2021	2.45 percent
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 2024	4.27 percent
Fiscal year 2023	4.08 percent
Fiscal year 2022	2.27 percent
Fiscal year 2021	2.63 percent
Fiscal year 2020	3.22 percent
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

**Franklin Local School District, Ohio**  
*Notes to Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2024*

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**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.

For fiscal year 2022, the discount rate was decreased from 7.45 percent to the long-term expected rate of return of 7.00.

For fiscal year 2023, the projected salary increases were changed from age-based to service-based. Healthcare trends were updated to reflect emerging claims and recoveries experience.

**Changes in Benefit Terms – STRS OPEB**

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

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

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.

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

**Franklin Local School District, Ohio**  
*Notes to Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2024*

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For fiscal year 2022, there was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2022, premium based on June 30, 2021, enrollment distribution.

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

For fiscal year 2023, healthcare trends were updated to reflect emerging claims and recoveries experience.

For fiscal year 2024, healthcare trends were updated to reflect emerging claims and recoveries experience as well as benefit changes effective January 1, 2024.



**FRANKLIN LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2024**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal AL 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 and Workforce</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution)				
School Breakfast Program	10.553	2023/2024	\$8,376	\$8,376
National School Lunch Program	10.555	2023/2024	75,388	75,388
Non-Cash Assistance Subtotal:			83,764	83,764
Cash Assistance				
School Breakfast Program	10.553	2023/2024	281,640	281,640
National School Lunch Program	10.555	2023/2024	539,654	551,444
Summer Food Service Program for Children	10.559	2023/2024	88,829	88,829
Cash Assistance Subtotal:			910,123	921,913
Total Child Nutrition Cluster			993,887	1,005,677
Total U.S. Department of Agriculture			993,887	1,005,677
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed Through Ohio Department of Education and Workforce</i>				
Title I Grants to Local Educational Agencies	84.010	2023	106,847	74,733
		2024	349,485	387,225
Total Title I Grants to Local Educational Agencies			456,332	461,958
Special Education Cluster:				
Special Education - Grants to States	84.027	2023	78,866	47,484
		2024	379,045	422,826
Total Special Education - Grants to States			457,911	470,310
Special Educational - Preschool Grants				
	84.173	2023	16,878	-
		2024	17,113	17,113
Total Special Education - Preschool Grants			33,991	17,113
Total Special Education Cluster			491,902	487,423
Improving Teacher Quality State Grants	84.367	2023	13,524	8,097
		2024	82,826	84,326
Total Improving Teacher Quality State Grants			96,350	92,423
Student Support and Academic Enrichment State Grants	84.424A	2023	8,547	-
	84.424A	2024	44,702	44,702
	84.424F	2024	77,716	77,716
Total Student Support and Academic Enrichment State Grants			130,965	122,418
COVID-19 Relief Fund (ARP ESSER)	84.425U	2022	1,051,292	1,051,292
Total U.S. Department of Education			2,226,841	2,215,514
<b>Total Receipts and Expenditures of Federal Awards</b>			<b>\$3,220,728</b>	<b>\$3,221,191</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, 2024**

**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, Muskingum County, Ohio (the School District) under programs of the federal government for the year ended June 30, 2024. 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. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

**NOTE C – INDIRECT COST RATE**

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

**NOTE D - CHILD NUTRITION CLUSTER**

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

**NOTE E – FOOD DONATION PROGRAM**

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



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

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

To the Board of Education:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Franklin Local School District, Muskingum County, Ohio (the School District) as of and for the year ended June 30, 2024, 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 March 10, 2025.

***Report on Internal Control Over Financial Reporting***

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

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

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

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

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of This Report***

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

A handwritten signature in black ink, appearing to read "Keith Faber". The signature is fluid and cursive, with the first and last names being clearly legible.

Keith Faber  
Auditor of State  
Columbus, Ohio

March 10, 2025



65 East State Street  
Columbus, Ohio 43215  
ContactUs@ohioauditor.gov  
800-282-0370

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

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

To the Board of Education:

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

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

We have audited Franklin Local School District's, Muskingum County, (School District) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on Franklin Local School District's major federal program for the year ended June 30, 2024. Franklin Local School District's major federal program is identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings.

In our opinion, Franklin Local School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2024.

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

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

### ***Responsibilities of Management for Compliance***

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

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

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

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

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

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

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

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

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

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

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



Keith Faber  
Auditor of State  
Columbus, Ohio

March 10, 2025

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**FRANKLIN LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2024**

**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 Programs (list):</b> <ul style="list-style-type: none"> <li>AL# 84.425U COVID-19 Education Stabilization Fund</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 3/20/2025**

65 East State 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)