



OHIO AUDITOR OF STATE
KEITH FABER



**FRANKLIN LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY
JUNE 30, 2023**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the 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, 2023, 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, 2023, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and ESSER and ARP Funds 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 18, 2024, 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 18, 2024

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Franklin Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
Unaudited

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, 2023. 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 2023 are as follows:

- Net position of governmental activities decreased \$1,622,616.
- General revenues accounted for \$22,012,899 in revenues or 71 percent of all revenues. Program specific revenues in the form of charges for services and sales, operating grants, contributions, and interest, and capital grants and contributions accounted for \$8,778,642 or 29 percent of total revenues of \$30,791,541.
- The School District had \$32,414,157 in expenses related to governmental activities; only \$8,778,642 of these expenses were offset by program specific charges for services and sales, operating grants, contributions, and interest, and capital grants and contributions. General revenues of \$22,012,899 were not adequate to provide for these programs.

Using this Annual Financial Report

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

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

Franklin Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
Unaudited

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 2023?" 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 11. 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, ESSER and ARP Special Revenue 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.

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.

Franklin Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
 Unaudited

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for fiscal year 2023 compared to fiscal year 2022.

Table 1 - Net Position

	Governmental Activities		
	2023	Restated 2022	Change
Assets			
Current and Other Assets	\$33,397,246	\$36,884,152	(\$3,486,906)
Net OPEB Asset	2,324,580	1,836,172	488,408
Capital Assets	31,690,471	29,526,024	2,164,447
Total Assets	67,412,297	68,246,348	(834,051)
Deferred Outflows of Resources			
Pension	7,110,019	6,998,476	111,543
OPEB	922,959	1,091,673	(168,714)
Total Deferred Outflows of Resources	8,032,978	8,090,149	(57,171)
Liabilities			
Current and Other Liabilities	4,687,915	4,677,731	10,184
Long Term Liabilities:			
Due Within One Year	10,607	9,394	1,213
Due in More Than One Year:			
Net Pension Liability	25,941,068	15,134,832	10,806,236
Net OPEB Liability	1,587,311	2,110,847	(523,536)
Other Amounts	1,889,929	1,743,455	146,474
Total Liabilities	34,116,830	23,676,259	10,440,571
Deferred Inflows of Resources			
Property Taxes	8,324,311	8,422,365	(98,054)
Pension	2,167,046	12,018,090	(9,851,044)
OPEB	3,851,718	3,611,797	239,921
Total Deferred Inflows of Resources	14,343,075	24,052,252	(9,709,177)
Net Position			
Net Investment in Capital Assets	31,327,788	29,282,608	2,045,180
Restricted	3,455,494	3,123,169	332,325
Unrestricted (Deficits)	(7,797,912)	(3,797,791)	(4,000,121)
Total Net Position	\$26,985,370	\$28,607,986	(\$1,622,616)

The net pension liability (NPL) is the largest liabilities reported by the School District at June 30, 2023. 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

Franklin Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
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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 decreased \$834,051. Current and other assets decreased \$3,486,906 primarily due to the decrease in cash and cash equivalents of \$1,181,532 and the decrease in property taxes receivables of \$2,759,090. In prior years, the School District realized an increase in tax revenue as a result of increases in public utilities property values related to the construction of pipelines and compressor stations. However, these companies have requested a property value revaluation, which resulted in a decrease in cash during the fiscal year and an increase in delinquent property taxes. Capital assets increased \$2,164,447 as a result of current year additions exceeding depreciation/amortization. The School District was in remodeling projects for the school buildings during fiscal year 2023 which are shown as construction in progress at year end. These remodeling projects are being paid from the ESSER and ARP Fund and the Capital Projects Fund which also resulted in a decrease in cash balances. The School District also reflects an OPEB asset in the amount of \$2,324,580, which is an increase of \$488,408. See Note 14 for more information on the OPEB asset.

Total deferred outflows of resources decreased in the amount of \$57,171. This decrease was primarily due to the decrease in the changes of assumptions related to the School District's proportionate share of the net pension and the decrease in projected versus actual earnings on pension plan investments.

Total liabilities increased \$10,440,571. Current and other liabilities increased \$10,184 primarily due to the increase in accounts payable related to the small increase in the contracts. Long-term liabilities increased \$10,430,387 due to the net effect between the increase in the net pension/OPEB liability in the amount of \$10,282,700 and the increase in other long-term liabilities in the amount of \$147,687. The net pension/OPEB liability net increase represents the School District's proportionate share of the STRS and SERS unfunded benefits. Changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension/OPEB liability. The other long-term liabilities increase was due to the change in sick leave benefits payable during the year.

Total deferred inflows of resources decreased \$9,709,177. This decrease was the result of three factors; a decrease in deferred inflows of resources for property taxes, a decrease in deferred inflows of resources related to pension due to changes in pension plan investments, and an increase in deferred inflows of resources related to OPEB due to changes in assumptions.

Franklin Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
 Unaudited

Table 2 shows the changes in net position for the fiscal year 2023 compared to fiscal year 2022.

Table 2 - Changes in Net Position

	Governmental Activities		
	2023	Restated 2022	Change
Revenues			
Program Revenues:			
Charges for Services and Sales	\$1,555,215	\$932,247	\$622,968
Operating Grants, Contributions and Interest	4,742,911	5,114,267	(371,356)
Capital Grants and Contributions	2,480,516	8,617	2,471,899
Total Program Revenues	<u>8,778,642</u>	<u>6,055,131</u>	<u>2,723,511</u>
General Revenues:			
Property Taxes	8,462,767	14,084,724	(5,621,957)
Grants and Entitlements	12,895,660	12,858,093	37,567
Gain on Sale of Capital Assets	0	14,225	(14,225)
Gifts and Donations	169,980	0	169,980
Revenue in Lieu of Taxes	0	0	0
Investment Earnings/Interest	469,862	(52,639)	522,501
Miscellaneous	14,630	4,135	10,495
Total General Revenues	<u>22,012,899</u>	<u>26,908,538</u>	<u>(4,895,639)</u>
Total Revenues	<u>30,791,541</u>	<u>32,963,669</u>	<u>(2,172,128)</u>
Program Expenses			
Instruction:			
Regular	15,333,530	11,817,053	3,516,477
Special	3,492,443	3,333,003	159,440
Vocational	116,165	100,859	15,306
Intervention	345,528	280,316	65,212
Support Services:			
Pupils	1,552,571	1,381,392	171,179
Instructional Staff	813,145	738,347	74,798
Board of Education	177,725	155,337	22,388
Administration	2,579,578	2,257,887	321,691
Fiscal	786,326	667,199	119,127
Operation and Maintenance of Plant	2,352,569	2,179,891	172,678
Pupil Transportation	1,945,612	1,747,700	197,912
Central	185,176	232,528	(47,352)
Operation of Non-Instructional Services:			
Food Service Operations	1,645,708	1,377,603	268,105
Other	2,304	8,348	(6,044)
Extracurricular Activities	1,085,777	971,424	114,353
Interest	0	8,400	(8,400)
Total Expenses	<u>32,414,157</u>	<u>27,257,287</u>	<u>5,156,870</u>
Change in Net Position	(1,622,616)	5,706,382	(7,328,998)
Net Position Beginning of Year	28,607,986	22,901,604	5,706,382
Net Position End of Year	<u>\$26,985,370</u>	<u>\$28,607,986</u>	<u>(\$1,622,616)</u>

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Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
 Unaudited

Net position decreased by \$1,622,616. Overall total revenues reflect a decrease of \$2,172,128, primarily due to a decrease in property taxes related to the utility taxes. Overall total program expenses reflect an increase of \$5,156,870, primarily due to an increase in regular instruction expenses.

In fiscal year 2023, 27 percent of the School District's total revenues were from property taxes and 42 percent were from unrestricted grants and entitlements.

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

Instruction comprises approximately 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, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements.

Table 3 - Governmental Activities

	<u>Total Cost of Services</u> 2023	<u>Net Cost of Services</u> 2023	<u>Total Cost of Services</u> Restated 2022	<u>Net Cost of Services</u> Restated 2022
Program Expenses				
Instruction:				
Regular	\$15,332,530	\$10,957,178	\$11,817,053	\$10,976,281
Special	3,492,443	770,276	3,333,003	643,398
Vocational	116,165	95,646	100,859	75,170
Intervention	346,528	346,280	280,316	280,316
Support Services:				
Pupils	1,552,571	1,522,052	1,381,392	1,345,749
Instructional Staff	813,145	769,198	738,347	702,733
Board of Education	177,725	177,725	155,337	155,337
Administration	2,579,578	2,579,578	2,257,887	2,257,887
Fiscal	786,326	786,326	667,199	667,199
Operation and Maintenance of Plant	2,352,569	2,352,569	2,179,891	2,179,650
Pupil Transportation	1,945,612	1,887,183	1,747,700	1,684,465
Central	185,176	166,945	232,528	165,231
Operation of Non-Instructional Services:				
Food Service Operations	1,645,708	380,112	1,377,603	(243,692)
Other	2,304	40	8,348	445
Extracurricular Activities	1,085,777	844,407	971,424	719,763
Interest	0	0	8,400	8,400
Total	<u><u>\$32,414,157</u></u>	<u><u>\$23,635,515</u></u>	<u><u>\$27,257,287</u></u>	<u><u>\$21,618,332</u></u>

Franklin Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
Unaudited

For fiscal year 2023, the dependence upon tax revenues and State subsidies for governmental activities reflects approximately 73 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 \$34,010,364 and expenditures and other financing uses in the amount of \$35,008,248. The fund balance for all governmental funds at June 30, 2023, is \$17,518,918.

The General Fund had total revenues and other financing sources of \$25,394,727 and expenditures and other financing uses of \$25,437,716. The General Fund's balance at June 30, 2023, decreased by \$42,989. The General Fund has an ending fund balance of \$6,966,411.

The ESSER and ARP Fund had total revenues of \$3,655,079 and expenditures of \$3,711,708. The ESSER and ARP Fund balance at June 30, 2023, decreased by \$56,629. The ESSER and ARP Fund has an ending fund balance of (\$56,629).

The fund balance of the Capital Projects Fund at June 30, 2023, is \$6,573,588, a decrease of \$218,276 from the prior year primarily due to expenses in capital outlay.

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 2023, the School District did not 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 \$4,643,962.

Franklin Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
 Unaudited

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2023, the School District had \$31,690,471 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 2023 balances compared to fiscal year 2022 balances.

	Governmental Activities	
	2023	Restated 2022
Land	\$1,450,492	\$1,450,492
Construction in Progress	7,519,379	4,128,436
Land Improvements	2,486,354	2,453,276
Buildings and Improvements	16,914,446	18,288,060
Intangible Right to Use - Software	168,188	208,088
Furniture and Equipment	1,335,913	1,360,626
Vehicles	1,815,699	1,637,046
Totals	\$31,690,471	\$29,526,024

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

Debt

See Note 15 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. The School District saw slight decreases in enrollment during fiscal year 2023. 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. The Board of Education and administration of the School District must maintain prudent financial management in order to preserve financial stability.

Franklin Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
Unaudited

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.

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Franklin Local School District, Ohio

Statement of Net Position

June 30, 2023

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$16,967,066
Materials and Supplies Inventory	33,885
Inventory Held for Resale	21,075
Intergovernmental Receivable	1,023,246
Prepaid Items	214,970
Accrued Interest Receivable	36,523
Accounts Receivable	11,806
Property Taxes Receivable	15,088,675
Net OPEB Asset	2,324,580
Nondepreciable Capital Assets	8,969,871
Depreciable Capital Assets, Net	22,720,600
<i>Total Assets</i>	<u>67,412,297</u>
Deferred Outflows of Resources	
Pension	7,110,019
OPEB	922,959
<i>Total Deferred Outflows of Resources</i>	<u>8,032,978</u>
Liabilities	
Accounts Payable	183,404
Accrued Wages and Benefits Payable	3,050,535
Contracts Payable	235,268
Retainage Payable	56,629
Matured Sick Leave Benefits Payable	25,332
Vacation Benefits Payable	100,725
Intergovernmental Payable	774,578
Claims Payable	261,444
Long-Term Liabilities:	
Due Within One Year	10,607
Due In More Than One Year:	
Net Pension Liability	25,941,068
Net OPEB Liability	1,587,311
Other Amounts Due in More Than One Year	1,889,929
<i>Total Liabilities</i>	<u>34,116,830</u>
Deferred Inflows of Resources	
Property Taxes	8,324,311
Pension	2,167,046
OPEB	3,851,718
<i>Total Deferred Inflows of Resources</i>	<u>14,343,075</u>
Net Position	
Net Investment in Capital Assets	31,327,788
Restricted for:	
Food Service Operations	595,772
Classroom Facilities Maintenance	1,087,124
Debt Service	330
Capital Projects	1,046,946
Local Grant Programs	169,980
District Managed Student Activities	98,993
Unclaimed Monies	1,384
OPEB Plans	454,965
Unrestricted (Deficit)	(7,797,912)
<i>Total Net Position</i>	<u>\$26,985,370</u>

See accompanying notes to the basic financial statements

Franklin Local School District, Ohio

*Balance Sheet
Governmental Funds
June 30, 2023*

	General	ESSER and ARP Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$5,449,848	\$0	\$6,573,747	\$3,900,087	\$15,923,682
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	1,384	0	0	0	1,384
Receivables:					
Property Taxes	13,636,125	0	0	1,452,550	15,088,675
Accounts	11,806	0	0	0	11,806
Intergovernmental	319,329	291,738	0	412,179	1,023,246
Interfund	326,126	0	0	0	326,126
Accrued Interest	34,734	0	0	1,789	36,523
Prepaid Items	214,970	0	0	0	214,970
Materials and Supplies Inventory	25,202	0	0	8,683	33,885
Inventory Held for Resale	0	0	0	21,075	21,075
<i>Total Assets</i>	<u>\$20,019,524</u>	<u>\$291,738</u>	<u>\$6,573,747</u>	<u>\$5,796,363</u>	<u>\$32,681,372</u>
Liabilities					
Accounts Payable	\$91,330	\$0	\$0	\$92,074	\$183,404
Interfund Payable	0	0	0	326,126	326,126
Accrued Wages and Benefits Payable	2,812,875	0	0	237,660	3,050,535
Contracts Payable	0	235,109	159	0	235,268
Retainage Payable	0	56,629	0	0	56,629
Matured Sick Leave Benefits Payable	25,332	0	0	0	25,332
Intergovernmental Payable	729,418	0	0	45,160	774,578
<i>Total Liabilities</i>	<u>3,658,955</u>	<u>291,738</u>	<u>159</u>	<u>701,020</u>	<u>4,651,872</u>
Deferred Inflows of Resources					
Property Taxes	7,521,546	0	0	802,765	8,324,311
Unavailable Revenue	1,872,612	56,629	0	257,030	2,186,271
<i>Total Deferred Inflows of Resources</i>	<u>9,394,158</u>	<u>56,629</u>	<u>0</u>	<u>1,059,795</u>	<u>10,510,582</u>
Fund Balances					
Nonspendable	241,556	0	0	8,683	250,239
Restricted	0	0	0	2,701,031	2,701,031
Committed	533,452	0	6,573,588	1,261,145	8,368,185
Assigned	2,286,736	0	0	202,733	2,489,469
Unassigned (Deficits)	3,904,667	(56,629)	0	(138,044)	3,709,994
<i>Total Fund Balances (Deficit)</i>	<u>6,966,411</u>	<u>(56,629)</u>	<u>6,573,588</u>	<u>4,035,548</u>	<u>17,518,918</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$20,019,524</u>	<u>\$291,738</u>	<u>\$6,573,747</u>	<u>\$5,796,363</u>	<u>\$32,681,372</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, 2023*

Total Governmental Fund Balances	\$17,518,918
 <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.	31,690,471
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Delinquent Property Taxes	1,746,132
Intergovernmental Revenues	141,486
Tuition and Fees	270,335
Investment Earnings/Interest	26,494
Miscellaneous	1,824
	2,186,271
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.	780,556
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.	(100,725)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Sick Leave Benefits Payable	(1,900,536)
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	2,324,580
Deferred Outflows - Pension	7,110,019
Deferred Inflows - Pension	(2,167,046)
Net Pension Liability	(25,941,068)
Deferred Outflows - OPEB	922,959
Deferred Inflows - OPEB	(3,851,718)
Net OPEB Liability	(1,587,311)
	(23,189,585)
Net Position of Governmental Activities	\$26,985,370

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, 2023

	General	ESSER and ARP Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$10,186,841	\$0	\$0	\$1,065,785	\$11,252,626
Intergovernmental	13,847,066	3,655,079	0	2,395,452	19,897,597
Investment Earnings/Interest	471,681	0	0	25,967	497,648
Charges for Services and Sales	0	0	0	271,904	271,904
Tuition and Fees	795,299	0	0	44,257	839,556
Gifts and Donations	18,251	0	0	200,891	219,142
Extracurricular Activities	28,534	0	0	162,590	191,124
Miscellaneous	16,055	0	0	0	16,055
<i>Total Revenues</i>	<u>25,363,727</u>	<u>3,655,079</u>	<u>0</u>	<u>4,166,846</u>	<u>33,185,652</u>
Expenditures					
Current:					
Instruction:					
Regular	11,646,210	1,242,407	0	135,047	13,023,664
Special	1,814,102	0	0	1,242,904	3,057,006
Vocational	91,148	0	0	0	91,148
Intervention	317,646	0	0	252	317,898
Support Services:					
Pupils	1,376,229	0	0	41,836	1,418,065
Instructional Staff	676,249	0	0	54,218	730,467
Board of Education	177,790	0	0	0	177,790
Administration	2,362,955	0	0	0	2,362,955
Fiscal	734,126	0	0	35,673	769,799
Operation and Maintenance of Plant	2,090,531	0	0	146,591	2,237,122
Pupil Transportation	1,767,392	0	0	0	1,767,392
Central	162,434	0	0	9,231	171,665
Operation of Non-Instructional Services:					
Food Service Operations	10,576	0	0	1,495,139	1,505,715
Other	0	0	0	2,304	2,304
Extracurricular Activities	650,901	0	0	227,620	878,521
Capital Outlay	765,715	2,469,301	218,276	2,249,733	5,703,025
<i>Total Expenditures</i>	<u>24,644,004</u>	<u>3,711,708</u>	<u>218,276</u>	<u>5,640,548</u>	<u>34,214,536</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>719,723</u>	<u>(56,629)</u>	<u>(218,276)</u>	<u>(1,473,702)</u>	<u>(1,028,884)</u>
Other Financing Sources (Use)					
Proceeds from Sale of Capital Assets	31,000	0	0	0	31,000
Transfers In	0	0	0	793,712	793,712
Transfers Out	(793,712)	0	0	0	(793,712)
<i>Total Other Financing Sources (Use)</i>	<u>(762,712)</u>	<u>0</u>	<u>0</u>	<u>793,712</u>	<u>31,000</u>
<i>Net Change in Fund Balance</i>	<u>(42,989)</u>	<u>(56,629)</u>	<u>(218,276)</u>	<u>(679,990)</u>	<u>(997,884)</u>
<i>Fund Balances Beginning of Year</i>	<u>7,009,400</u>	<u>0</u>	<u>6,791,864</u>	<u>4,715,538</u>	<u>18,516,802</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$6,966,411</u>	<u>(\$56,629)</u>	<u>\$6,573,588</u>	<u>\$4,035,548</u>	<u>\$17,518,918</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, 2023*

Net Change in Fund Balances - Total Governmental Funds (\$997,884)

Amounts reported for governmental activities in the Statement of Activities are different because

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

Capital Asset Additions	4,834,356	
Depreciation/Amortization Expense	(2,424,300)	2,410,056

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

Gain (Loss) on Disposal of Capital Assets	(214,609)	
Proceeds from Sale of Capital Assets	(31,000)	(245,609)

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

Delinquent Property Taxes	(2,789,859)	
Intergovernmental Revenues	141,486	
Tuition and Fees	257,726	
Investment Earnings/Interest	(2,039)	
Miscellaneous	(1,425)	(2,394,111)

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. 1,145

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	(8,185)	
Sick Leave Benefits Payable	(147,687)	(155,872)

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

Pension	2,344,064	
OPEB	73,483	2,417,547

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	(3,187,713)	
OPEB	529,825	(2,657,888)

Change in Net Position of Governmental Activities (\$1,622,616)

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, 2023*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Property Taxes	\$10,376,029	\$10,376,029	\$10,070,362	(\$305,667)
Intergovernmental	13,696,725	13,696,725	13,970,064	273,339
Interest	200,000	200,000	439,096	239,096
Tuition and Fees	728,933	728,933	795,299	66,366
Gifts and Donations	5,000	5,000	1,995	(3,005)
Miscellaneous	4,775	4,775	6,676	1,901
<i>Total Revenues</i>	25,011,462	25,011,462	25,283,492	272,030
Expenditures				
Current:				
Instruction:				
Regular	12,321,084	12,321,084	11,598,021	723,063
Special	2,665,914	2,665,914	1,809,028	856,886
Vocational	97,055	97,055	90,807	6,248
Intervention	304,244	304,244	315,451	(11,207)
Support Services:				
Pupils	1,414,142	1,414,142	1,388,713	25,429
Instructional Staff	726,472	726,472	699,491	26,981
Board of Education	162,207	162,207	238,354	(76,147)
Administration	2,502,718	2,502,718	2,350,950	151,768
Fiscal	657,475	657,475	748,423	(90,948)
Operation and Maintenance of Plant	2,064,074	2,064,074	2,223,572	(159,498)
Pupil Transportation	1,754,425	1,754,425	1,769,390	(14,965)
Central	199,515	199,515	160,889	38,626
Operation of Non-Instructional Services:				
Food Service Operations	95,460	95,460	4	95,456
Extracurricular Activities	607,108	607,108	596,544	10,564
Capital Outlay	33,712	33,712	886,653	(852,941)
<i>Total Expenditures</i>	25,605,605	25,605,605	24,876,290	729,315
<i>Excess of Revenues Over (Under) Expenditures</i>	(594,143)	(594,143)	407,202	1,001,345
Other Financing Source (Uses)				
Advances In	360,000	360,000	310,000	(50,000)
Advances Out	(360,000)	(360,000)	(145,000)	215,000
Transfers Out	(2,000,000)	(2,000,000)	(793,712)	1,206,288
<i>Total Other Financing Source (Uses)</i>	(2,000,000)	(2,000,000)	(628,712)	1,371,288
<i>Net Change in Fund Balance</i>	(2,594,143)	(2,594,143)	(221,510)	2,372,633
<i>Fund Balance Beginning of Year</i>	4,779,740	4,779,740	4,779,740	0
Prior Year Encumbrances Appropriated	85,732	85,732	85,732	0
<i>Fund Balance End of Year</i>	\$2,271,329	\$2,271,329	\$4,643,962	\$2,372,633

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)
ESSER and ARP Fund
For the Fiscal Year Ended June 30, 2023*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$4,718,349	\$4,718,349	\$3,668,485	(\$1,049,864)
Expenditures				
Current:				
Instruction:				
Regular	437,679	437,679	1,307,612	(869,933)
Pupil Transportation	3,000	3,000	0	3,000
Capital Outlay	4,058,171	4,058,171	3,135,217	922,954
<i>Total Expenditures</i>	<u>4,498,850</u>	<u>4,498,850</u>	<u>4,442,829</u>	<u>56,021</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>219,499</u>	<u>219,499</u>	<u>(774,344)</u>	<u>(993,843)</u>
Other Financing Source (Use)				
Advances In	150,000	150,000	0	(150,000)
Advances Out	0	0	(150,000)	(150,000)
<i>Total Other Financing Source (Use)</i>	<u>150,000</u>	<u>150,000</u>	<u>(150,000)</u>	<u>(300,000)</u>
<i>Net Change in Fund Balance</i>	369,499	369,499	(924,344)	(1,293,843)
<i>Fund Balance (Deficit) Beginning of Year</i>	(3,984,886)	(3,984,886)	(3,984,886)	0
Prior Year Encumbrances Appropriated	3,957,693	3,957,693	3,957,693	0
<i>Fund Balance (Deficit) End of Year</i>	<u>\$342,306</u>	<u>\$342,306</u>	<u>(\$951,537)</u>	<u>(\$1,293,843)</u>

See accompanying notes to the basic financial statements

Franklin Local School District, Ohio

Statement of Fund Net Position

Internal Service Fund

June 30, 2023

	Medical-Dental Insurance
Current Assets	
Equity in Pooled Cash and Cash Equivalents	\$1,042,000
Current Liabilities	
Claims Payable	<u>261,444</u>
Net Position	
Unrestricted	<u><u>\$780,556</u></u>

See accompanying notes to the basic financial statements

Franklin Local School District, Ohio
*Statement of Revenues,
 Expenses, and Changes in Fund Net Position
 Internal Service Fund
 For the Fiscal Year Ended June 30, 2023*

	Medical-Dental Insurance
Operating Revenues	
Charges for Services	\$4,467,806
Operating Expenses	
Purchased Services	631,586
Claims	3,835,075
<i>Total Operating Expenses</i>	4,466,661
<i>Operating Gain</i>	1,145
<i>Net Position Beginning of Year</i>	779,411
<i>Net Position End of Year</i>	\$780,556

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, 2023

	<u>Medical-Dental Insurance</u>
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Transactions with Other Funds	\$4,467,806
Cash Payments to Suppliers for Services	(631,586)
Cash Payments for Claims	<u>(4,054,931)</u>
<i>Net Cash Used for Operating Activities</i>	(218,711)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>1,260,711</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$1,042,000</u></u>
Reconciliation of Operating Gain to Net Cash Used for Operating Activities	
Operating Gain	\$1,145
Changes in Liabilities	
Decrease in Claims Payable	<u>(219,856)</u>
<i>Net Cash Used for Operating Activities</i>	<u><u>(\$218,711)</u></u>

See accompanying notes to the basic financial statements

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Franklin Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

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 115 classified employees, 164 certificated full-time teaching personnel, and 19 administrative employees who provide services to 1,889 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 17 and 18 to the basic financial statements.

Franklin Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

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. Custodial funds are reported by type.

Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The funds used by the School District can be classified using two categories: governmental and proprietary.

Franklin Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

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.

ESSER and ARP Fund This Fund is used to account for restricted relief grants in response to the COVID-19 pandemic. Restrictions include, but are not limited to, providing for coordination of preparedness and response efforts, training and professional development of staff, planning and coordination during long-term closure, and purchasing technology for students.

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.

Franklin Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

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.

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 13 and 14.

Franklin Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

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, 2023, but which were levied to finance year 2024 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 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 13 and 14).

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 2023, 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 2023 amounted to \$471,681 which includes \$321,069 assigned from other School District funds.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2023, 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.

Franklin Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Inventory

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

Capital Assets

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

All capital assets (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.

Franklin Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Compensated Absences

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

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

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

Accrued Liabilities and Long-term Obligations

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

Franklin Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

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.

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 2024’s appropriated budget.

Franklin Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

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

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

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 first when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Restricted Net Position for OPEB plans represent the corresponding asset amounts after considering the related deferred outflows and deferred inflows.

Operating Revenues and Expenses

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

Estimates

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

Budgetary Process

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

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted

Franklin Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

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

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

Note 3 - Changes in Accounting Principles and Restatements of Net Position

For fiscal year 2023, the School District implemented Governmental Accounting Standards Board (GASB) No. 91, *Conduit Debt Obligations*; Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*; and GASB Statement No. 99, *Omnibus 2022*.

GASB 91 clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The School District did not have any debt that met the definition of conduit debt.

GASB Statement 94 improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The School District did not have any arrangements that met the GASB 94 definition of a PPP or an APA.

GASB Statement 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The School District had long-term contracts that met the GASB 96 definition of a SBITA asset. The contracts were paid in full at the beginning of the subscription term.

GASB Statement 99 addresses various issues including items related to leases, PPPs, and SBITAs. The requirements related to PPPs and SBITAs were incorporated with the corresponding GASB 94 and GASB 96 changes identified above.

The implementation of GASB Statement No. 96 had the following effect on net position as of June 30, 2023:

	Governmental Activities
	\$28,399,898
Adjustments:	
GASB 96	208,088
Restated Net Position June 30, 2022	\$28,607,986

Franklin Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 4 - 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	ESSER and ARP Fund	Capital Projects Fund	Other Governmental Funds	Total
<u>Nonspendable:</u>					
Prepaid Items	\$214,970	\$0	\$0	\$0	\$214,970
Materials and Supplies Inventory	25,202	0	0	8,683	33,885
Unclaimed Monies	1,384	0	0	0	1,384
<i>Total Nonspendable</i>	<u>241,556</u>	<u>0</u>	<u>0</u>	<u>8,683</u>	<u>250,239</u>
<u>Restricted for:</u>					
Food Service Operations	0	0	0	684,216	684,216
Classroom Facilities Maintenance	0	0	0	1,057,436	1,057,436
Debt Service	0	0	0	330	330
Local Grants	0	0	0	169,980	169,980
Capital Projects	0	0	0	690,076	690,076
District Managed Student Activities	0	0	0	98,993	98,993
<i>Total Restricted</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,701,031</u>	<u>2,701,031</u>
<u>Committed to:</u>					
Scholarships	0	0	0	38,598	38,598
After School Programs	0	0	0	30,857	30,857
Capital Improvements	0	0	6,573,588	1,191,690	7,765,278
Severance Payments	533,452	0	0	0	533,452
<i>Total Committed</i>	<u>533,452</u>	<u>0</u>	<u>6,573,588</u>	<u>1,261,145</u>	<u>8,368,185</u>
<u>Assigned to:</u>					
Capital Improvements	0	0	0	202,733	202,733
Public School Support	169,705	0	0	0	169,705
Purchases on Order	241,513	0	0	0	241,513
Assigned to Subsequent Year's Appropriations	1,875,518	0	0	0	1,875,518
<i>Total Assigned</i>	<u>2,286,736</u>	<u>0</u>	<u>0</u>	<u>202,733</u>	<u>2,489,469</u>
<u>Unassigned (Deficits):</u>	<u>3,904,667</u>	<u>(56,629)</u>	<u>0</u>	<u>(138,044)</u>	<u>3,709,994</u>
<i>Total Fund Balances (Deficit)</i>	<u>\$6,966,411</u>	<u>(\$56,629)</u>	<u>\$6,573,588</u>	<u>\$4,035,548</u>	<u>\$17,518,918</u>

Franklin Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

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 and ESSER and ARP Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

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

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

Franklin Local School District, Ohio
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For the Fiscal Year Ended June 30, 2023

Net Change in Fund Balance		
	General Fund	ESSER and ARP Fund
GAAP Basis	(\$42,989)	(\$56,629)
Net Adjustment for Revenue Accruals	(38,498)	13,406
Prepaid Items:		
Beginning of Fiscal Year	16,766	0
End of Fiscal Year	(214,970)	0
Unreported Cash:		
Beginning of Fiscal Year	59,907	0
End of Fiscal Year	(116,754)	0
Fair Market Value:		
Beginning of Fiscal Year	(177,443)	0
End of Fiscal Year	210,262	0
Negative cash advance to other funds:		
Beginning of Fiscal Year	(97,722)	0
End of Fiscal Year	149,425	0
Net Adjustment for Expenditure Accruals	136,251	220,416
Advances In	310,000	0
Advances Out	(145,000)	(150,000)
To reclassify excess of revenues and other sources of financial resources over expenditures and other uses of financial resources into financial statement fund types.	50,968	0
Adjustment for Encumbrances	(321,713)	(951,537)
Budget Basis	(\$221,510)	(\$924,344)

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
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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, 2023

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, 2023, 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 Farm Credit Bank	\$227,299	Less than two years	AAA	4.68%
Federal Home Loan Bank	911,730	Less than four years	AAA	18.77%
Federal Home Loan Mortgage	285,963	Less than four years	AAA	5.89%
Negotiable Certificates of Deposit	<u>3,432,110</u>	Less than five years	N/A	70.66%
Total Investments	<u>\$4,857,102</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, 2023. 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, 2023

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 2023 represents collections of calendar year 2022 taxes. Real property taxes received in calendar year 2023 were levied after April 1, 2022, on the assessed value listed as of January 1, 2022, 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 2023 represents collections of calendar year 2022 taxes. Public utility real property taxes received in calendar year 2023 became a lien December 31, 2021, were levied after April 1, 2022, 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, 2023, are available to finance fiscal year 2024 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, 2023, 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, 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 Fund. The amount available as an advance at June 30, 2022, was \$4,889,409 and is recognized as revenue: \$4,422,832 in the General Fund, \$70,659 in the Classroom Facilities Maintenance Special Revenue Fund, and \$395,918 in the Permanent Improvement Capital Projects Fund.

The assessed values upon which the fiscal year 2023 taxes were collected are:

Franklin Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

	2022 Second- Half Collections		2023 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$245,604,720	48.89%	\$245,511,310	48.84%
Public Utility Personal	256,752,350	51.11%	257,178,970	51.16%
Total	\$502,357,070	100.00%	\$502,690,280	100.00%
Tax Rate per \$1,000 of assessed valuation	\$34.40		\$34.40	

Note 8 - Receivables

Receivables at June 30, 2023, 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 \$1,746,132 as of June 30, 2023.

A summary of intergovernmental receivables are as follows:

	Amounts
Governmental Activities:	
School Lunch Reimbursement	\$32,461
Early Childhood Education	134,000
Idea Part B	103,652
Title I	119,711
Medicare	39,548
State Foundation Adjustment	267,789
Title II-A	13,524
Title IV-A	8,600
ESSER and ARP	291,738
Miscellaneous Reimbursements	12,223
Total	\$1,023,246

Franklin Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 9 - Interfund Balances and Transfers

Interfund Balances

Interfund balances at June 30, 2023, consist of the following individual fund receivables and payables:

	Interfund Payable	Interfund Receivable
Governmental Funds:		
General Fund	\$0	\$326,126
Other Nonmajor Governmental Funds:		
Early Childhood Education	134,000	0
Network Connectivity	9,231	0
Title IDEA Early Childhood Restoration	16,878	0
Title I	55,000	0
Title II-A	25,000	0
Title IV-A	31,017	0
Title VI-B	45,000	0
Miscellaneous Federal Grants	10,000	0
Total Other Nonmajor Governmental Funds	326,126	0
Total All Funds	\$326,126	\$326,126

Interfund balances are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires them and unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorization. Of the amounts above, \$149,425 represents the amount due to the General Fund from Special Revenue Funds for cash deficits.

Transfers

The School District transferred \$793,712 from the General Fund to the various capital project funds for construction and maintenance related projects for the School District.

Franklin Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2023, was as follows:

	Restated Balance 06/30/2022	Additions	Retirements	Balance 06/30/2023
<i>Capital Assets not being depreciated:</i>				
Land	\$1,450,492	\$0	\$0	\$1,450,492
Construction in Progress	4,128,436	3,701,164	(310,221)	7,519,379
<i>Total Capital Assets not being Depreciated</i>	<u>5,578,928</u>	<u>3,701,164</u>	<u>(310,221)</u>	<u>8,969,871</u>
<i>Depreciable Capital Assets:</i>				
Land Improvements	5,313,260	652,977	(370,614)	5,595,623
Buildings and Improvements	49,973,761	324,541	0	50,298,302
Intangible Right to use - Software	208,088	27,816	0	235,904
Furniture and Equipment	3,897,687	113,132	(44,788)	3,966,031
Vehicles	2,948,229	324,947	(254,548)	3,018,628
<i>Total Capital Assets being Depreciated</i>	<u>62,341,025</u>	<u>1,443,413</u>	<u>(669,950)</u>	<u>63,114,488</u>
<i>Less Accumulated Depreciation/Amortization</i>				
Land Improvements	(2,859,984)	(414,753)	165,468	(3,109,269)
Buildings and Improvements	(31,685,701)	(1,698,155)	0	(33,383,856)
Intangible Right to use - Software	0	(67,716)	0	(67,716)
Furniture and Equipment	(2,537,061)	(108,975)	15,918	(2,630,118)
Vehicles	(1,311,183)	(134,701)	242,955	(1,202,929)
<i>Total Accumulated Depreciation/Amortization</i>	<u>(38,393,929)</u>	<u>(2,424,300) *</u>	<u>424,341</u>	<u>(40,393,888)</u>
<i>Total Capital Assets being Depreciated, Net</i>	<u>23,947,096</u>	<u>(980,887)</u>	<u>(245,609)</u>	<u>22,720,600</u>
<i>Capital Assets, Net</i>	<u>\$29,526,024</u>	<u>\$2,720,277</u>	<u>(\$555,830)</u>	<u>\$31,690,471</u>

*Of the current year depreciation/amortization total of \$2,424,300, \$67,716 is presented as regular instruction expense on the Statement of Activities related to the School District's intangible asset of software, which is included in an intangible right to use - software.

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

Instruction:	
Regular	\$868,378
Special	403,876
Vocational	22,861
Intervention	38,101
Support Services:	
Pupils	114,304
Instructional Staff	53,342
Administration	190,507
Fiscal	22,861
Operation and Maintenance of Plant	144,786
Pupil Transportation	190,507
Central	15,241
Food Service Operations	152,406
Extracurricular Activities	207,130
Total	<u>\$2,424,300</u>

Franklin Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

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 2023, 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)	\$109,909,674
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 2023, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control, and actuarial services to the GRP.

Employee Medical Benefits

Medical/prescription drug/surgical and dental insurance are offered to employees through a self-insurance internal service fund. Monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The medical coverage premiums 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 \$261,444 reported in the internal service fund at June 30, 2023, 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 \$4,889,329 annually. In addition, the School District has contracted for an excess stop-loss coverage with a maximum allowable covered expense per individual of \$100,000 annually.

Franklin Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Changes in the fund's claims liability amount in fiscal years 2022 and 2023 were:

	Balance at Beginning of Fiscal Year	Current Year Claims	Claim Payments	Balance at End of Fiscal Year
2022	\$542,494	\$3,661,521	\$3,722,715	\$481,300
2023	481,300	3,835,075	4,054,931	261,444

Note 12 - Employee Benefits

Compensated Absences

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

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

Insurance

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

Note 13 - 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.

Franklin Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

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.

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 14 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 under Employers/Audit Resources.

Franklin Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

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 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, 2023, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2023, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$639,948 for fiscal year 2023. Of this amount, \$128,299 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.

Franklin Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

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, an 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. 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 35 years of service credit and at least age 60.

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

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

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

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

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

Franklin Local School District, Ohio
Notes to the Basic Financial Statements
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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 2023 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For 2023, the full employer contribution was allocated to pension.

The School District’s contractually required contribution to STRS was \$1,704,116 for fiscal year 2023. Of this amount, \$319,570 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, 2022, 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:

	SERS	STRS	
Proportion of the Net Pension Liability:			
Current Measurement Date	0.11063340%	0.08977525%	
Prior Measurement Date	0.10840690%	0.08708760%	
Change in Proportionate Share	0.00222650%	0.00268765%	
Proportionate Share of the Net			Total
Pension Liability	\$5,983,915	\$19,957,153	\$25,941,068
Pension Expense	\$653,045	\$2,534,668	\$3,187,713

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Franklin Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$242,353	\$255,478	\$497,831
Changes of assumptions	59,044	2,388,272	2,447,316
Net difference between projected and actual earnings on pension plan investments	0	694,465	694,465
Changes in Proportionate Share and difference between School District contributions and proportionate share of contributions	307,771	818,572	1,126,343
School District contributions subsequent to the measurement date	<u>639,948</u>	<u>1,704,116</u>	<u>2,344,064</u>
Total Deferred Outflows of Resources	<u>\$1,249,116</u>	<u>\$5,860,903</u>	<u>\$7,110,019</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$39,283	\$76,342	\$115,625
Changes of assumptions	0	1,797,682	1,797,682
Net difference between projected and actual earnings on pension plan investments	208,811	0	208,811
Changes in Proportionate Share and difference between School District contributions and proportionate share of contributions	<u>0</u>	<u>44,928</u>	<u>44,928</u>
Total Deferred Inflows of Resources	<u>\$248,094</u>	<u>\$1,918,952</u>	<u>\$2,167,046</u>

\$2,344,064 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2024	\$288,954	\$292,831	\$581,785
2025	23,401	220,082	243,483
2026	(298,291)	(299,059)	(597,350)
2027	<u>347,010</u>	<u>2,023,981</u>	<u>2,370,991</u>
Total	<u>\$361,074</u>	<u>\$2,237,835</u>	<u>\$2,598,909</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,

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retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2022, are presented below:

	June 30, 2022
Inflation	2.4 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	3.25 percent to 13.58 percent 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 were 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.

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.

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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	2.00 %	(0.45) %
US Equity	24.75	5.37
Non-US Equity Developed	13.50	6.22
Non-US Equity Emerging	6.75	8.22
Fixed Income/Global Bonds	19.00	1.20
Private Equity	11.00	10.05
Real Estate/Real Assets	16.00	4.87
Multi-Asset Strategy	4.00	3.39
Private Debt/Private Credit	3.00	5.38
Total	<u>100.00 %</u>	

Discount Rate The total pension liability for 2022 was calculated using the discount rate of 7.00 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.00 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.

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:

	<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	\$8,808,037	\$5,983,915	\$3,604,630

Actuarial Assumptions – STRS

Key methods and assumptions used in the June 30, 2022, actuarial valuation are presented below:

	<u>June 30, 2022</u>
Inflation	2.50 percent
Salary increases	From 2.5 percent to 12.5 percent based on age
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

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For 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.

For 2021, post-retirement mortality rates are based on RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates, thereafter, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2022, 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:

<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>	

* Target allocation percentage is effective July 1, 2022. Target weights were phased in over a 3 month period concluding on 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.

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Discount Rate The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2022. 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, 2022. 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, 2022.

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:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net pension liability	\$30,147,990	\$19,957,153	\$11,338,857

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, 2023, four members of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 14 - Defined Benefit OPEB Plans

See Note 13 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

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in the SERS Annual Comprehensive Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. 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 2023, 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 2023, this amount was \$25,000. 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 2023, the School District's surcharge obligation was \$73,483.

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 \$73,483 for fiscal year 2023 and is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2023, 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, 2022, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

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	<u>SERS</u>	<u>STRS</u>	
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.11305550%	0.08977525%	
Prior Measurement Date	<u>0.11153260%</u>	<u>0.08708760%</u>	
Change in Proportionate Share	<u>0.00152290%</u>	<u>0.00268765%</u>	
Proportionate Share of the:			<u>Total</u>
Net OPEB Liability	\$1,587,311	\$0	\$1,587,311
Net OPEB (Asset)	\$0	(\$2,324,580)	(\$2,324,580)
OPEB Expense	(\$70,231)	(\$459,594)	(\$529,825)

At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$13,343	\$33,698	\$47,041
Changes of assumptions	252,482	99,020	351,502
Net difference between projected and actual earnings on OPEB plan investments	8,250	40,465	48,715
Changes in Proportionate Share and difference between School District contributions and proportionate share of contributions	399,801	2,417	402,218
School District contributions subsequent to the measurement date	<u>73,483</u>	<u>0</u>	<u>73,483</u>
Total Deferred Outflows of Resources	<u>\$747,359</u>	<u>\$175,600</u>	<u>\$922,959</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$1,015,360	\$349,107	\$1,364,467
Changes of assumptions	651,603	1,648,351	2,299,954
Changes in Proportionate Share and difference between School District contributions and proportionate share of contributions	<u>139,540</u>	<u>47,757</u>	<u>187,297</u>
Total Deferred Inflows of Resources	<u>\$1,806,503</u>	<u>\$2,045,215</u>	<u>\$3,851,718</u>

\$73,483 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2024	(\$279,118)	(\$573,852)	(\$852,970)
2025	(256,943)	(530,477)	(787,420)
2026	(217,979)	(250,081)	(468,060)
2027	(118,017)	(103,567)	(221,584)
2028	(78,733)	(135,886)	(214,619)
Thereafter	<u>(181,837)</u>	<u>(275,752)</u>	<u>(457,589)</u>
Total	<u>(\$1,132,627)</u>	<u>(\$1,869,615)</u>	<u>(\$3,002,242)</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.

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, 2022, are presented as follows:

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	June 30, 2022
Inflation	2.40 percent
Future Salary Increases, including inflation	
Wage Increases	3.25 percent to 13.58 percent
Investment Rate of Return	7.00 percent net of investment expense, including inflation
Fiduciary Net Position is Projected to be Depleted	2044
Municipal Bond Index Rate:	
Measurement Date	3.69 percent
Prior Measurement Date	1.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	4.08 percent
Prior Measurement Date	2.27 percent
Health Care Cost Trend Rate	
Medicare	5.125 to 4.40 percent
Pre-Medicare	6.75 to 4.40 percent
Medical Trend Assumption	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 were 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.

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 2015 through 2020, and was adopted by the Board in 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 log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 13.

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2022, was 4.08 percent. The discount rate used to measure total OPEB liability prior to June 30, 2021, was 2.27 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 become insufficient to make all projected future benefit payments of current System members by SERS actuaries. The Municipal Bond Index Rate is used in the determination of the SEIR for both the June 30, 2022, and the June 30, 2021, 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 is 3.69 percent at June 30, 2022, and 1.92 percent at June 30, 2021.

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 (3.08%) and higher (5.08%) than the current discount rate (4.08%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.40%) and higher (8.00% decreasing to 5.40%) than the current rate:

	1% Decrease 3.08%	Current Discount Rate 4.08%	1% Increase 5.08%
School District's proportionate share of the net OPEB liability	\$1,971,464	\$1,587,311	\$1,277,195
		Current Trend Rate	
	1% Decrease 6.00% decreasing to 3.40%)	(7.00% decreasing to 4.40%)	1% Increase (8.00% decreasing to 5.40%)
School District's proportionate share of the net OPEB liability	\$1,224,102	\$1,587,311	\$2,061,721

Actuarial Assumptions – STRS

Key methods and assumptions used in the June 30, 2022, actuarial valuation are presented as follows:

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	June 30, 2022	June 30, 2021
Projected salary increases	Varies by service from 2.5 percent to 8.5 percent	Varies by age from 2.5 percent to 12.50 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 3.94 percent ultimate	5.00 percent initial 4 percent ultimate
Medicare	-68.78 percent initial 3.94 percent ultimate	-16.18 percent initial 4 percent ultimate
Prescription Drug		
Pre-Medicare	9.00 percent initial 3.94 percent ultimate	6.50 percent initial 4 percent ultimate
Medicare	-5.47 percent initial 3.94 percent ultimate	29.98 percent initial 4 percent ultimate

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

For 2022, 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.

For 2021, healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2022, 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.

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 13.

Discount Rate The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2022. 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

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as of June 30, 2022. 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, 2022.

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, 2022, 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	(\$2,149,013)	(\$2,324,580)	(\$2,474,968)

	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB asset	(\$2,411,155)	(\$2,324,580)	(\$2,215,300)

Note 15 - Long-Term Obligations

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

	Principal Outstanding 06/30/2022	Additions	Reductions	Principal Outstanding 06/30/2023	Amounts Due in One Year
Net Pension Liability:					
STRS	\$11,134,932	\$8,822,221	\$0	\$19,957,153	\$0
SERS	3,999,900	1,984,015	0	5,983,915	0
Total Net Pension Liability	15,134,832	10,806,236	0	25,941,068	0
Net OPEB Liability:					
SERS	2,110,847	0	523,536	1,587,311	0
Sick Leave Benefits Payable	1,752,849	182,413	34,726	1,900,536	10,607
Total Governmental Activities Long-Term Liabilities	\$18,998,528	\$10,988,649	\$558,262	\$29,428,915	\$10,607

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, ESSER and ARP, Title IDEA-B,

Franklin Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Title I, and Title II-A Special Revenue Funds. For additional information related to the net pension and net OPEB asset/liabilities, see Notes 13 and 14.

The overall debt margin of the School District as of June 30, 2023, was \$45,242,125, with an unvoted debt margin of \$502,690.

Note 16 - 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	\$321,713
ESSER/ARP Fund - Major	951,537
Nonmajor Governmental Funds	<u>1,153,579</u>
Total	<u><u>\$2,426,829</u></u>

Contractual Commitments

During fiscal year 2023, the School District had contractual purchase commitments for the following project:

	Purchase Commitments	Amounts Expended	Amounts Remaining
Junior High School Building Renovations (Capital Projects Fund and Permanent Improvement Funds)	\$4,927,886	\$4,478,047	\$449,839
Duncan Falls Elementary Building Renovations (Capital Projects Fund and ESSER and ARP Fund)	4,219,312	2,713,845	1,505,467
Philo High School Building Renovations (Capital Projects Fund)	<u>397,300</u>	<u>327,487</u>	<u>69,813</u>
Total	<u><u>\$9,544,498</u></u>	<u><u>\$7,519,379</u></u>	<u><u>\$2,025,119</u></u>

Note 17 - Jointly Governed Organizations

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

The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council). The Council was created as a separate regional council of governments pursuant to State Statutes. The Council operates under the direction of a Board comprised of a representative from each participating school district. The Board exercises total control over the operations of the Council including budgeting, appropriating, contracting, and designating management. Each participants control is limited to its representation on the Board. The Council provides information technology and internet access to member districts, as well as cooperative purchasing programs. During fiscal year 2023, the total amount paid to OME-RESA from the School District was \$86,353 for

Franklin Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

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 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. 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 over 130 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of nineteen members. One elected and one appointed from each of the eight regions into which the 35 Appalachian counties are divided; and three from Ohio University College of Education. The board exercised total control over the operations of CORAS including budgeting, appropriating contracting, and designating management. Each participant's control is limited to its representation on the board. The Coalition provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Coalition. During fiscal year 2023, the School District made a payment of \$325 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 90 school district representatives. Though most of the members are superintendents, some treasurers, board members, and administrators also serve. Several persons serve as ex officio members. The Committee exercised total control over the operations of the Coalition including budgeting, appropriating, contracting, and designating management. Each participant's control is limited to its representation on the board. The membership of the coalition includes over 500 school districts throughout the State of Ohio. Member school districts, joint vocational schools, and educational service centers pay annual dues and supplemental dues based on their pupil enrollment. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest or financial responsibility for the Coalition. During fiscal year 2023, the School District paid \$947 to the Coalition. The fiscal agent for the Coalition is the

Franklin Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

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 18 - Insurance Purchasing Pools

Ohio School Boards Association Workers' Compensation Group Rating Program

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

Schools of Ohio Risk Sharing Authority

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

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.

Franklin Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

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 2023, the School District elected to participate in the self-insured joint insurance program for medical, prescription drug, dental, and vision coverage.

Note 19 - 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, 2022	\$0
Current Year Set-aside Requirement	428,893
Current Year Offsets	(1,192,233)
Qualifying Disbursements	(149,371)
Total	(\$912,711)
Set-aside Balance Carried Forward to Future Fiscal Years	\$0

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

Note 20 - 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, 2023.

School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year

Franklin Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

end. As of the date of this report, ODE adjustments for fiscal year 2023 have been finalized. The impact of the FTE adjustments are not significant to the School District.

Litigation

As of June 30, 2023, the School District is not a party to any lawsuits.

Note 21 - Accountability

The following funds had a deficit fund balances as of June 30, 2023:

<u>Special Revenue Funds</u>	<u>Amount</u>
Title IDEA-B	(\$34,668)
Title I	(76,777)
Title II-A	(4,129)
Title IV-A	(22,470)

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 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 2023, 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

The School District approved on November 16, 2023 to discontinue operations at the Franklin Local Community School building which is currently utilized as an extension of the High School at the end of the 2023-2024 school year. The School District intends to dispose of the building subsequent to the end of the school year.

A public utility pipeline constructed within the School District filed for an appeal of their valuation in fiscal year 2022. On February 14, 2024, the Ohio Department of Taxation settled the appeal with a reduction to 88% of the previous value. The Muskingum County Auditor's office has 60 days to file an appeal with the Ohio Department of Taxation. As of the date of the report, the final determination on subsequent revenue relating to this appeal is unknown.

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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 **

	2023	2022	2021	2020
School District's Proportion of the Net Pension Liability	0.11063340%	0.10840690%	0.09296060%	0.09807980%
School District's Proportionate Share of the Net Pension Liability	\$5,983,915	\$3,999,900	\$6,148,610	\$5,868,286
School District's Covered Payroll	\$4,188,936	\$3,790,536	\$3,279,071	\$3,241,148
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	142.85%	105.52%	187.51%	181.06%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.82%	82.86%	68.55%	70.85%

*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

2019	2018	2017	2016	2015	2014
0.09322450%	0.09958300%	0.09691620%	0.10015230%	0.10316400%	0.10316400%
\$5,339,140	\$5,949,864	\$7,093,371	\$5,714,787	\$5,221,071	\$6,134,832
\$3,166,104	\$3,183,679	\$3,024,821	\$2,989,560	\$2,830,079	\$3,060,351
168.63%	186.89%	234.51%	191.16%	184.48%	200.46%
71.36%	69.50%	62.98%	69.16%	71.70%	65.52%

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

	2023	2022	2021	2020
School District's Proportion of the Net OPEB Liability	0.11305550%	0.11153260%	0.09500410%	0.10004040%
School District's Proportionate Share of the Net OPEB Liability	\$1,587,311	\$2,110,847	\$2,064,749	\$2,515,807
School District's Covered Payroll	\$4,188,936	\$3,790,536	\$3,279,071	\$3,241,148
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	37.89%	55.69%	62.97%	77.62%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	30.34%	24.08%	18.17%	15.57%

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

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

See accompanying notes to the required supplementary information

2019	2018	2017
0.09468580%	0.10092960%	0.09817860%
\$2,626,840	\$2,708,685	\$2,798,453
\$3,166,104	\$3,183,679	\$3,024,821
82.97%	85.08%	92.52%
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 **

	2023	2022	2021	2020
School District's Proportion of the Net Pension Liability	0.08977525%	0.08708760%	0.08389243%	0.08273438%
School District's Proportionate Share of the Net Pension Liability	\$19,957,153	\$11,134,932	\$20,298,983	\$18,296,211
School District's Covered Payroll	\$11,918,843	\$10,847,629	\$10,175,457	\$9,766,486
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	167.44%	102.65%	199.49%	187.34%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.90%	87.80%	75.50%	77.40%

*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

2019	2018	2017	2016	2015	2014
0.08369804%	0.08433844%	0.08895376%	0.09023920%	0.09364744%	0.09364744%
\$18,403,321	\$20,034,777	\$29,775,504	\$24,939,475	\$22,778,298	\$27,133,360
\$9,538,343	\$9,301,686	\$9,342,693	\$9,415,186	\$9,521,862	\$9,993,000
192.94%	215.39%	318.70%	264.89%	239.22%	271.52%
77.30%	75.30%	66.80%	72.10%	74.70%	69.30%

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 Seven Fiscal Years (1) **

	2023	2022	2021	2020
School District's Proportion of the Net OPEB (Asset) Liability	0.08977525%	0.08708760%	0.08389243%	0.08273438%
School District's Proportionate Share of the Net OPEB (Asset) Liability	(\$2,324,580)	(\$1,836,172)	(\$1,474,408)	(\$1,370,280)
School District's Covered Payroll	\$11,918,843	\$10,847,629	\$10,175,457	\$9,766,486
School District's Proportionate Share of the Net OPEB (Asset) Liability as a Percentage of its Covered Payroll	-19.50%	-16.93%	-14.49%	-14.03%
Plan Fiduciary Net Position as a Percentage of the Total OPEB (Asset) Liability	230.70%	174.70%	182.10%	174.70%

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

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

See accompanying notes to the required supplementary information

2019	2018	2017
0.08369804%	0.08433844%	0.08895376%
(\$1,344,943)	\$3,290,575	\$4,757,270
\$9,538,343	\$9,301,686	\$9,342,693
-14.10%	35.38%	50.92%
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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Net Pension Liability				
Contractually Required Contribution	\$639,948	\$586,451	\$530,675	\$459,070
Contributions in Relation to the Contractually Required Contribution	<u>(639,948)</u>	<u>(586,451)</u>	<u>(530,675)</u>	<u>(459,070)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$4,571,057	\$4,188,936	\$3,790,536	\$3,279,071
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB Liability				
Contractually Required Contribution (2)	\$73,483	\$71,558	\$70,499	\$54,123
Contributions in Relation to the Contractually Required Contribution	<u>(73,483)</u>	<u>(71,558)</u>	<u>(70,499)</u>	<u>(54,123)</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>1.61%</u>	<u>1.71%</u>	<u>1.86%</u>	<u>1.65%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>15.61%</u>	<u>15.71%</u>	<u>15.86%</u>	<u>15.65%</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

2019	2018	2017	2016	2015	2014
\$437,555	\$427,424	\$445,715	\$423,475	\$394,024	\$392,249
(437,555)	(427,424)	(445,715)	(423,475)	(394,024)	(392,249)
\$0	\$0	\$0	\$0	\$0	\$0
\$3,241,148	\$3,166,104	\$3,183,679	\$3,024,821	\$2,989,560	\$2,830,079
13.50%	13.50%	14.00%	14.00%	13.18%	13.86%
\$75,055	\$67,471	\$54,435	\$49,527	\$73,950	\$52,680
(75,055)	(67,471)	(54,435)	(49,527)	(73,950)	(52,680)
\$0	\$0	\$0	\$0	\$0	\$0
2.32%	2.13%	1.71%	1.64%	2.47%	1.86%
15.82%	15.63%	15.71%	15.64%	15.65%	15.72%

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>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Net Pension Liability				
Contractually Required Contribution	\$1,704,116	\$1,668,638	\$1,518,668	\$1,424,564
Contributions in Relation to the Contractually Required Contribution	<u>(1,704,116)</u>	<u>(1,668,638)</u>	<u>(1,518,668)</u>	<u>(1,424,564)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$12,172,257	\$11,918,843	\$10,847,629	\$10,175,457
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB Liability				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

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

See accompanying notes to the required supplementary information

2019	2018	2017	2016	2015	2014
\$1,367,308	\$1,335,368	\$1,302,236	\$1,307,977	\$1,318,126	\$1,237,842
<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>(1,237,842)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$9,766,486	\$9,538,343	\$9,301,686	\$9,342,693	\$9,415,186	\$9,521,862
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.00%</u>
\$0	\$0	\$0	\$0	\$0	\$95,219
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(95,219)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>1.00%</u>
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

Franklin Local School District, Ohio
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2023

Net Pension Liability

Changes in 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.

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 Year 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 report for 2017 through 2021 use mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

Changes in Assumptions - STRS

Beginning with fiscal year 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 year 2017 and prior are presented as follows:

Franklin Local School District, Ohio
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2023

	Fiscal Year 2022	Fiscal Years 2021-2018	Fiscal Year 2017 and Prior
Inflation	2.50 percent	2.50 percent	2.75 percent
Projected salary increases	From 2.5 percent to 12.5 percent based on age	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3 percent	3.5 percent
Cost-of-Living Adjustments (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 August 1, 2013 or later, 2 percent COLA commences on fifth anniversary of retirement date

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

Changes in Benefit Term – STRS Pension

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 as follows:

Franklin Local School District, Ohio
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2023

	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 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 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

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 was decreased. The assumed mortality, disability, retirement, withdrawal, and future healthcare 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 (2.5 percent to 12.50 percent) to service-based (2.5 percent to 8.5 percent.)

Franklin Local School District, Ohio
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2023

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.

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 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.

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**FRANKLIN LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal AL Number	Pass Through Entity Identifying Number	Total Federal Receipts	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education and Workforce</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution)				
School Breakfast Program	10.553	2022/2023	\$9,486	\$9,486
National School Lunch Program	10.555	2022/2023	85,373	85,373
Non-Cash Assistance Subtotal:			<u>94,859</u>	<u>94,859</u>
Cash Assistance				
School Breakfast Program	10.553	2022/2023	267,396	440,753
National School Lunch Program	10.555	2022/2023	544,138	896,753
Summer Food Service Program for Children	10.559	2022/2023	29,268	48,511
Cash Assistance Subtotal:			<u>840,802</u>	<u>1,386,017</u>
Total Child Nutrition Cluster			<u>935,661</u>	<u>1,480,876</u>
COVID-19 Pandemic EBT Administrative Costs	10.649	2023	3,135	3,135
Total U.S. Department of Agriculture			<u>938,796</u>	<u>1,484,011</u>
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education and Workforce</i>				
Title I Grants to Local Educational Agencies	84.010	2022	98,145	52,122
		2023	365,411	397,524
Total Title I Grants to Local Educational Agencies			<u>463,556</u>	<u>449,646</u>
Special Education Cluster:				
Special Education - Grants to States	84.027	2022	110,919	70,661
		2023	381,589	412,971
COVID-19 Special Education - Grants to States	84.027X	2022	95,572	30,007
Total Special Education - Grants to States			<u>588,080</u>	<u>513,639</u>
Special Educational - Preschool Grants	84.173	2023	-	16,878
COVID-19 Special Education - Preschool Grants	84.173X	2022	4,683	3,979
Total Special Education - Preschool Grants			<u>4,683</u>	<u>20,857</u>
Total Special Education Cluster			<u>592,763</u>	<u>534,496</u>
Rural Education	84.358	2022	3,726	3,726
Improving Teacher Quality State Grants	84.367	2022	18,745	13,048
		2023	56,464	61,891
Total Improving Teacher Quality State Grants			<u>75,209</u>	<u>74,939</u>
Student Support and Academic Enrichment State Grants	84.424	2022	9,000	-
		2023	31,625	40,172
Total Student Support and Academic Enrichment State Grants			<u>40,625</u>	<u>40,172</u>
Education Stabilization Fund				
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER I and II)	84.425D	2021	580,939	419,052
COVID-19 Elementary and Secondary School Emergency Relief Fund (ARP ESSER)	84.425U	2022	3,064,533	3,049,228
Relief Fund (ARP HOMELESS)	84.425W		23,013	23,013
Total Educational Stabilization Fund			<u>3,668,485</u>	<u>3,491,293</u>
Total U.S. Department of Education			<u>4,844,364</u>	<u>4,594,272</u>
Total Receipts and Expenditures of Federal Awards			<u>\$5,783,160</u>	<u>\$6,078,283</u>

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, 2023**

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, 2023. 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 entitlement value. The School District allocated donated food commodities to the respective programs that benefitted from the use of those donated food commodities.

OHIO AUDITOR OF STATE KEITH FABER



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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 the Franklin Local School District, Muskingum County, (the School District) as of and for the year ended June 30, 2023, 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 18, 2024.

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.



Keith Faber
Auditor of State
Columbus, Ohio

March 18, 2024

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH 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 Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Franklin Local School District's, Muskingum County, (the 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 each of Franklin Local School District's major federal programs for the year ended June 30, 2023. Franklin Local School District's major federal programs are 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 each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each 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 each 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 each 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 18, 2024

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**FRANKLIN LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2023**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list): <ul style="list-style-type: none"> • AL# 10.553, 10.555, 10.559 Child Nutrition Cluster • AL# 84.425D, 84.425U, 84.425W COVID-19 Education Stabilization Fund 	
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	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 3/28/2024

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