



OHIO AUDITOR OF STATE
KEITH FABER



**FRANKLIN LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY
JUNE 30, 2025**

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MUSKINGUM COUNTY
JUNE 30, 2025

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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 the Franklin Local School District, Muskingum County, Ohio (the District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the 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 the Franklin Local School District, Muskingum County, Ohio as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the 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.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2025, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2026, on our consideration of the 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 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 District's internal control over financial reporting and compliance.

KEITH FABER
Ohio Auditor of State



Tiffany L. Ridenbaugh, CPA, CFE, CGFM
Chief Deputy Auditor

March 10, 2026

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FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2025

Unaudited

This discussion and analysis of the Franklin Local District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2025. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2025 are as follows:

- ❑ Net position of governmental activities decreased \$999,743, which represents a 3.4% decrease from 2024.
- ❑ General revenues accounted for \$27,937,285 in revenue or 82.2% of all revenues. Program specific revenues in the form of charges for services and sales and grants and contributions accounted for \$6,067,427 or 17.8% of total revenues of \$34,004,712.
- ❑ The District had \$35,004,455 in expenses related to governmental activities; only \$6,067,427 of these expenses were offset by program specific charges for services and sales, and grants and contributions.
- ❑ Among major funds, the general fund had \$29,380,972 in revenues and \$27,553,938 in expenditures. During fiscal year 2025, the general fund's fund balance decreased from \$10,342,543 to \$8,757,159.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts – *management's discussion and analysis* and the *basic financial statements*. The basic financial statements include two kinds of statements that present different views of the District:

These statements are as follows:

1. *The Government-Wide Financial Statements* – These statements provide both long-term and short-term information about the District's overall financial status.
2. *The Fund Financial Statements* – These statements focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

***Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025***

Unaudited

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets, liabilities, and deferred outflows/inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District you need to consider additional nonfinancial factors such as the property tax base, current property tax laws, student enrollment growth, and facility conditions.

The government-wide financial statements of the District reflect the following category for its activities:

- *Governmental Activities* – Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, interest and fiscal charges, and food service operations.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds, not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

Governmental Funds – Most of the 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 District's general government 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 – The District uses internal service funds to report activities that provide services for the District's other programs and activities. The District's only fund of this type is the Self-Insurance Internal Service Fund. 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, 2025***

Unaudited

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The following table provides a summary of the District's net position for fiscal year 2025 compared to fiscal year 2024.

	Governmental Activities	
	2025	2024
Current and Other Assets	\$35,587,147	\$35,928,839
Net OPEB Asset	1,677,246	1,751,849
Capital Assets, Net	29,948,427	32,417,236
Total Assets	67,212,820	70,097,924
Deferred Outflows of Resources	5,995,041	7,038,887
Net Pension Liability	22,342,272	25,703,976
Net OPEB Liability	1,081,798	1,932,849
Other Long-term Liabilities	3,851,280	1,907,698
Other Liabilities	5,200,468	4,821,249
Total Liabilities	32,475,818	34,365,772
Deferred Inflows of Resources	12,006,331	11,406,641
Net Position		
Net Investment in Capital Assets	29,450,389	32,217,837
Restricted	5,252,751	4,569,256
Unrestricted (Deficit)	(5,977,428)	(5,422,695)
Total Net Position	\$28,725,712	\$31,364,398

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2025

Unaudited

The net pension liability is reported by the District pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The net OPEB liability/asset is reported by the District pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and the net OPEB asset.

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

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

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

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

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

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2025

Unaudited

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.

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

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FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2025

Unaudited

Changes in Net Position – The following table shows the changes in net position for fiscal year 2025 compared to fiscal year 2024:

	Governmental Activities		Increase (Decrease)
	2025	2024	
Revenues			
Program Revenues:			
Charges for Services and Sales	\$1,095,062	\$1,549,935	(\$454,873)
Operating Grants and Contributions	4,972,365	3,900,368	1,071,997
Capital Grants and Contributions	0	759,554	(759,554)
Total Program Revenues	6,067,427	6,209,857	(142,430)
General Revenues:			
Property Taxes	15,217,271	16,639,708	(1,422,437)
Grants and Entitlements	11,817,445	12,458,945	(641,500)
Other	902,569	799,463	103,106
Total General Revenues	27,937,285	29,898,116	(1,960,831)
Total Revenues	34,004,712	36,107,973	(2,103,261)
Program Expenses			
Instruction:			
Regular	16,251,996	14,991,891	1,260,105
Special	4,650,313	3,489,353	1,160,960
Vocational	161,501	115,876	45,625
Intervention	229,534	319,746	(90,212)
Support Services:			
Pupils	1,517,760	1,482,844	34,916
Instructional Staff	848,892	894,261	(45,369)
Board of Education	134,738	139,488	(4,750)
Administration	2,516,320	2,592,672	(76,352)
Fiscal Services	1,139,704	739,532	400,172
Operation and Maintenance of Plant	2,496,032	2,418,706	77,326
Pupil Transportation	1,973,541	1,983,029	(9,488)
Central	188,181	185,152	3,029
Operation of Non-Instructional:			
Food Service Operations	1,762,793	1,799,612	(36,819)
Other	3,685	4,974	(1,289)
Extracurricular Activities	1,129,465	571,809	557,656
Total Expenses	35,004,455	31,728,945	3,275,510
Change in Net Position	(999,743)	4,379,028	(5,378,771)
Beginning Net Position - Restated	29,725,455	26,985,370	2,740,085
Ending Net Position	\$28,725,712	\$31,364,398	(\$2,638,686)

Governmental Activities

Net position of the District's governmental activities decreased \$999,743. Elementary and Secondary School Emergency Relief (ESSER) funding received in the prior year resulted in a subsequent decrease in capital grants in 2025. In the prior fiscal year, the District received a settlement payment of approximately \$3.6 million from the Rockies Express Pipeline. This resulted in a subsequent decrease in property tax revenues in 2025. An increase in other revenue can be attributed to an increase in investment earnings, which was due to an increase in interest rates. Overall, expenses increased 10%, which can be attributed to an overall increase in costs for salaries, benefits, supplies, and contractual services.

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

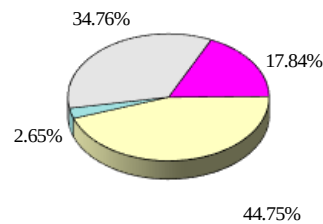
Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2025

Unaudited

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. In general, the overall revenue generated by the levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Property taxes made up 45% of revenues for Franklin Local Schools in fiscal year 2025. The District's reliance upon tax revenues is demonstrated by the following graph:

Revenue Sources	2025	Percent of Total
General Grants	\$11,817,445	34.76%
Program Revenues	6,067,427	17.84%
General Tax Revenues	15,217,271	44.75%
General Other	902,569	2.65%
Total Revenue	<u>\$34,004,712</u>	<u>100.00%</u>



FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District's governmental funds reported a combined fund balance of \$21,932,521, which is above last year's balance of \$21,790,855. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2025 and 2024.

	Fund Balance June 30, 2025	Fund Balance June 30, 2024	Increase (Decrease)
General	\$8,757,159	\$10,342,543	(\$1,585,384)
Capital Projects	5,828,970	5,936,442	(107,472)
Permanent Improvement	5,465,329	3,843,703	1,621,626
Other Governmental	1,881,063	1,668,167	212,896
Total	<u>\$21,932,521</u>	<u>\$21,790,855</u>	<u>\$141,666</u>

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2025

Unaudited

General Fund – The tables that follow assist in illustrating the financial activities and balance of the General Fund:

	2025 Revenues	2024 Revenues	Increase (Decrease)
Taxes	\$13,703,391	\$15,024,626	(\$1,321,235)
Investment Earnings	891,973	768,551	123,422
Extracurricular Activities	35,407	38,048	(2,641)
Class Materials and Fees	784,122	1,039,694	(255,572)
Contributions and Donations	7,902	17,220	(9,318)
Intergovernmental	13,954,391	13,739,122	215,269
All Other Revenue	3,786	9,108	(5,322)
Total	<u>\$29,380,972</u>	<u>\$30,636,369</u>	<u>(\$1,255,397)</u>

General Fund revenues decreased \$1,255,397 or approximately 4.1%. In the prior fiscal year, the District received a settlement payment of approximately \$3.6 million from the Rockies Express Pipeline. This resulted in a subsequent decrease in property tax revenues in 2025. An increase in intergovernmental revenues can be attributed to an increase in State Foundation Funding.

	2025 Expenditures	2024 Expenditures	Increase (Decrease)
Instruction:			
Regular	\$13,277,185	\$13,845,002	(\$567,817)
Special	3,048,775	1,838,408	1,210,367
Vocational	159,270	92,023	67,247
Intervention	223,192	273,436	(50,244)
Supporting Services:			
Pupils	1,364,030	1,268,035	95,995
Instructional Staff	717,379	700,689	16,690
Board of Education	135,173	139,401	(4,228)
Administration	2,404,727	2,338,654	66,073
Fiscal Services	1,068,740	670,272	398,468
Operation and Maintenance of Plant	2,115,128	2,044,841	70,287
Pupil Transportation	1,825,683	1,756,120	69,563
Central	183,893	150,205	33,688
Operation of Non-Instructional:			
Food Service Operations	275,312	2,734	272,578
Extracurricular Activities	755,451	717,460	37,991
Capital Outlay	0	23,004	(23,004)
Total	<u>\$27,553,938</u>	<u>\$25,860,284</u>	<u>\$1,693,654</u>

General Fund expenditures increased \$1,693,654, or approximately 6.5%, which was the result of an overall increase in salaries, benefits, and the cost of goods and services.

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2025

Unaudited

Capital Projects Fund – The Capital Projects Fund reported a decrease in fund balance of 1.8%. Revenues and expenditures were consistent with the prior fiscal year.

Permanent Improvement Fund – The Permanent Improvement Fund reported an increase in fund balance of 42.2%. This can be attributed to a \$2.9 million transfer of monies from the General Fund.

The 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 2025 the District did not amend its General Fund budget.

The 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 property tax revenues. Spending in the majority of all categories was lower than budgeted appropriations. The District's ending General Fund balance was \$4,932,916.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2025 the District had \$29,948,427 net of accumulated depreciation invested in land, buildings, improvements, machinery, equipment, and vehicles. The following table shows fiscal year 2025 and 2024 balances:

	Governmental Activities		Increase (Decrease)
	2025	2024	
Land	\$1,450,492	\$1,450,492	\$0
Construction in Progress	321,518	526,885	(205,367)
Land Improvements	5,704,781	5,774,733	(69,952)
Buildings and Improvements	53,022,138	58,673,137	(5,650,999)
Furniture and Equipment	5,877,886	5,019,809	858,077
Vehicles	3,275,887	3,100,834	175,053
SBITA	235,904	235,904	0
Less: Accumulated Depreciation	(39,940,179)	(42,364,558)	2,424,379
Totals	\$29,948,427	\$32,417,236	(\$2,468,809)

Additions to capital assets included HVAC improvements, school buses, and various furniture and equipment. The significant decrease in buildings and improvements was primarily due to the disposal of the Roseville Elementary School Building. Additional information on the District's capital assets can be found in Note 9.

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2025

Unaudited

Debt and Other Long-term Obligations

The following table summarizes the District's debt and other long-term obligations outstanding as of June 30, 2025 and 2024:

	2025	2024
Governmental Activities:		
Compensated Absences	\$3,851,280	\$3,745,249
Totals	<u>\$3,851,280</u>	<u>\$3,745,249</u>

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total assessed value of real and personal property. At June 30, 2025, the District's outstanding debt was below the legal limit. Additional information on the District's long-term debt can be found in Note 12.

ECONOMIC FACTORS

Over the past 20 years, the District has remained in a stable financial position. Approximately 95 percent of the 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 2024 which resulted in 35% increase in valuation. A natural gas distribution pipeline and compressor stations were constructed within the District. An additional compressor station and a small portion of a new pipeline was constructed within the District and completed in 2017 and 2018, respectively. One of these public utility pipelines filed for an appeal of their valuation in fiscal year 2022, which resulted in a decrease in public utility revenue received during fiscal year 2023 and fiscal year 2024. A decision on the pipeline appeal was made during fiscal year 2024 and the District will now receive 88 percent of the original value. Receipts to the District resumed for the appealed values starting in July 2024. The District saw decreases again in enrollment during fiscal year 2025. The new funding formula changed revenue and expenditure recognition; however, it resulted in no additional funding for the District. Due to loss of pipeline revenue, no new funding from the State, and minimal increases in local revenue, the Board of Education made the decision to close one of its instructional buildings at the end of fiscal year 2024. The Board of Education and administration of the District must maintain prudent financial management in order to preserve financial stability.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Scott Paul, at Franklin Local 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, 2025

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 19,420,441
Receivables:	
Taxes	15,009,725
Accounts	2,736
Intergovernmental	814,289
Interest	73,059
Inventory	18,616
Inventory Held for Resale	21,365
Prepaid Items	225,371
Restricted Assets:	
Cash and Cash Equivalents	1,545
Net OPEB Asset	1,677,246
Non-Depreciable Capital Assets	1,772,010
Depreciable Capital Assets, Net	28,176,417
Total Assets	<u>67,212,820</u>
Deferred Outflows of Resources:	
Pension	4,909,364
OPEB	1,085,677
Total Deferred Outflows of Resources	<u>5,995,041</u>
Liabilities:	
Accounts Payable	86,048
Accrued Wages and Benefits	3,117,377
Intergovernmental Payable	680,935
Contracts Payable	482,821
Claims Payable	818,070
Retainage Payable	15,217
Long Term Liabilities:	
Due Within One Year	761,795
Due in More Than One Year:	
Net Pension Liability	22,342,272
Net OPEB Liability	1,081,798
Other Amounts Due in More Than One Year	3,089,485
Total Liabilities	<u>32,475,818</u>

(Continued)

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

	Governmental Activities
Deferred Inflows of Resources:	
Property Tax Levy for Next Fiscal Year	5,983,119
Pension	3,068,728
OPEB	2,954,484
Total Deferred Inflows of Resources	12,006,331
Net Position:	
Net Investment in Capital Assets	29,450,389
Restricted For:	
Food Service Operations	350,690
Classroom Facilities Maintenance	1,223,612
Capital Projects	1,619,434
Debt Service	330
District Managed Student Activities	115,778
Grant Programs	264,116
Unclaimed Monies	1,545
OPEB	1,677,246
Unrestricted (Deficit)	(5,977,428)
Total Net Position	\$ 28,725,712

See accompanying notes to the basic financial statements

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Statement of Activities For the Fiscal Year Ended June 30, 2025

		Program Revenues	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities:			
Instruction:			
Regular	\$ 16,251,996	\$ 574,742	\$ 956,409
Special	4,650,313	205,696	2,440,752
Vocational	161,501	0	25,896
Intervention	229,534	0	0
Support Services:			
Pupils	1,517,760	0	139,387
Instructional Staff	848,892	46,254	58,754
Board of Education	134,738	0	0
Administration	2,516,320	0	0
Fiscal Services	1,139,704	0	0
Operation and Maintenance of Plant	2,496,032	0	78,584
Pupil Transportation	1,973,541	0	89,121
Central	188,181	0	7,965
Operation of Non-Instructional:			
Food Service Operations	1,762,793	94,260	1,124,316
Other	3,685	0	3,851
Extracurricular Activities	1,129,465	174,110	47,330
Total Governmental Activities	\$ 35,004,455	\$ 1,095,062	\$ 4,972,365

General Revenues

Property Taxes Levied for:

General Purposes

Classroom Facilities Maintenance

Capital Outlay

Operating Grants and Entitlements not Restricted
to Specific Programs

Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Position

Net Position as Previously Reported

Change in Accounting Principle (GASB Statement 101)

Net Position Beginning of Fiscal Year

Net Position End of Fiscal Year

See accompanying notes to the basic financial statements

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Net (Expense) Revenue and Changes in Net Position

Governmental Activities

\$	(14,720,845)
	(2,003,865)
	(135,605)
	(229,534)
	(1,378,373)
	(743,884)
	(134,738)
	(2,516,320)
	(1,139,704)
	(2,417,448)
	(1,884,420)
	(180,216)
	(544,217)
	166
	(908,025)
	<u>(28,937,028)</u>

13,697,711
216,719
1,302,841

11,817,445
887,533
15,036

27,937,285

(999,743)

31,364,398

(1,638,943)

29,725,455

\$ 28,725,712

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Balance Sheet Governmental Funds June 30, 2025

	General	Capital Projects	Permanent Improvement
Assets:			
Cash and Cash Equivalents	\$ 5,681,625	\$ 5,828,970	\$ 5,238,461
Receivables:			
Taxes	13,491,725	0	1,301,435
Accounts	553	0	0
Intergovernmental	4,360	0	0
Interest	72,551	0	0
Interfund Loans Receivable	219,431	0	0
Materials and Supplies Inventory	9,851	0	0
Inventory Held for Resale	0	0	0
Prepaid Items	222,926	0	0
Restricted Assets:			
Cash and Cash Equivalents	1,545	0	0
Total Assets	<u><u>\$ 19,704,567</u></u>	<u><u>\$ 5,828,970</u></u>	<u><u>\$ 6,539,896</u></u>
Liabilities:			
Accounts Payable	\$ 59,964	\$ 0	\$ 6,716
Accrued Wages and Benefits	2,912,566	0	0
Intergovernmental Payable	592,731	0	0
Contracts Payable	0	0	478,872
Interfund Loans Payable	0	0	0
Retainage Payable	0	0	15,217
Compensated Absences Payable	135,129	0	0
Total Liabilities	<u><u>3,700,390</u></u>	<u><u>0</u></u>	<u><u>500,805</u></u>
Deferred Inflows of Resources:			
Unavailable Amounts	1,765,363	0	142,758
Property Tax Levy for Next Fiscal Year	5,481,655	0	431,004
Total Deferred Inflows of Resources	<u><u>7,247,018</u></u>	<u><u>0</u></u>	<u><u>573,762</u></u>
Fund Balance:			
Nonspendable	234,322	0	0
Restricted	0	0	921,731
Committed	754,987	5,828,970	3,414,114
Assigned	1,919,143	0	1,129,484
Unassigned	5,848,707	0	0
Total Fund Balance	<u><u>8,757,159</u></u>	<u><u>5,828,970</u></u>	<u><u>5,465,329</u></u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u><u>\$ 19,704,567</u></u>	<u><u>\$ 5,828,970</u></u>	<u><u>\$ 6,539,896</u></u>

See accompanying notes to the basic financial statements

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Other Governmental Funds	Total Governmental Funds
\$ 1,582,184	\$ 18,331,240
216,565	15,009,725
2,183	2,736
809,929	814,289
508	73,059
0	219,431
8,765	18,616
21,365	21,365
2,445	225,371
0	1,545
<u>\$ 2,643,944</u>	<u>\$ 34,717,377</u>
\$ 19,368	\$ 86,048
204,811	3,117,377
88,204	680,935
3,949	482,821
219,431	219,431
0	15,217
0	135,129
<u>535,763</u>	<u>4,736,958</u>
156,658	2,064,779
70,460	5,983,119
<u>227,118</u>	<u>8,047,898</u>
11,210	245,532
1,877,605	2,799,336
85,047	10,083,118
0	3,048,627
(92,799)	5,755,908
<u>1,881,063</u>	<u>21,932,521</u>
<u>\$ 2,643,944</u>	<u>\$ 34,717,377</u>

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities June 30, 2025

Total Governmental Fund Balances	\$ 21,932,521
<i>Amounts reported for governmental activities in the statement of net position are different because</i>	
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.	29,948,427
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.	2,064,779
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:	
Deferred Outflows - Pension	4,909,364
Deferred Inflows - Pension	(3,068,728)
Net Pension Liability	<u>(22,342,272)</u> (20,501,636)
The net OPEB liability/asset is not due and payable nor available in the current period; therefore, the liability/asset and related deferred inflows/outflows are not reported in governmental funds:	
Deferred Outflows - OPEB	1,085,677
Deferred Inflows - OPEB	(2,954,484)
Net OPEB Asset	1,677,246
Net OPEB Liability	<u>(1,081,798)</u> (1,273,359)
An Internal Service Fund is used by management to charge the cost of insurance to individual funds. The assets and liabilities of the internal fund are included in governmental activities in the statement of net position	271,131
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Compensated Absences Payable	(3,716,151)
<i>Net Position of Governmental Activities</i>	<u>\$ 28,725,712</u>

See accompanying notes to the basic financial statements

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FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Statement of Revenues, Expenditures and Changes in Fund Balances **Governmental Funds** **For the Fiscal Year Ended June 30, 2025**

			Formerly Minor
	General	Capital Projects	Permanent Improvement
Revenues:			
Local Sources:			
Property Taxes	\$ 13,703,391	\$ 0	\$ 1,160,083
Tuition and Fees	780,581	0	0
Investment Earnings	891,973	0	0
Extracurricular Activities	35,407	0	0
Food Services	0	0	0
Class Materials and Fees	3,541	0	0
Contributions and Donations	7,902	0	0
Intergovernmental - State	13,824,200	0	55,710
Intergovernmental - Federal	130,191	0	0
All Other Revenue	3,786	0	0
Total Revenues	<u>29,380,972</u>	<u>0</u>	<u>1,215,793</u>
Expenditures:			
Current:			
Regular	13,277,185	0	273,759
Special	3,048,775	0	0
Vocational	159,270	0	0
Intervention	223,192	0	0
Supporting Services:			
Pupils	1,364,030	0	0
Instructional Staff	717,379	0	0
Board of Education	135,173	0	0
Administration	2,404,727	0	0
Fiscal Services	1,068,740	0	53,370
Operation and Maintenance of Plant	2,115,128	0	2,506
Pupil Transportation	1,825,683	0	0
Central	183,893	0	0
Operation of Non-Instructional:			
Food Service Operations	275,312	0	0
Community Services	0	0	0
Extracurricular Activities	755,451	0	0
Capital Outlay	0	107,472	2,470,875
Total Expenditures	<u>27,553,938</u>	<u>107,472</u>	<u>2,800,510</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	1,827,034	(107,472)	(1,584,717)

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Other Governmental Funds	Total Governmental Funds
\$ 190,994	\$ 15,054,468
0	780,581
12,286	904,259
137,190	172,597
94,260	94,260
0	3,541
47,330	55,232
491,306	14,371,216
2,504,690	2,634,881
49,269	53,055
<u>3,527,325</u>	<u>34,124,090</u>
78,719	13,629,663
1,221,042	4,269,817
0	159,270
0	223,192
69,387	1,433,417
124,660	842,039
0	135,173
0	2,404,727
8,953	1,131,063
109,244	2,226,878
0	1,825,683
7,965	191,858
1,395,929	1,671,241
3,685	3,685
183,962	939,413
135,883	2,714,230
<u>3,339,429</u>	<u>33,801,349</u>
187,896	322,741

(Continued)

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Fiscal Year Ended June 30, 2025

			Formerly Minor
	General	Capital Projects	Permanent Improvement
Other Financing Sources (Uses):			
Proceeds from the Sale of Capital Assets	53,307	0	265,618
Transfers In	0	0	2,940,725
Transfers Out	(3,465,725)	0	0
Total Other Financing Sources (Uses)	(3,412,418)	0	3,206,343
Net Change in Fund Balance	(1,585,384)	(107,472)	1,621,626
Fund Balance as Previously Reported	10,342,543	5,936,442	0
Change in Financial Reporting Entity (Major/Minor Funds)	0	0	3,843,703
Fund Balances at Beginning of Year - Restated	10,342,543	5,936,442	3,843,703
Fund Balance End of Year	\$ 8,757,159	\$ 5,828,970	\$ 5,465,329

See accompanying notes to the basic financial statements

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Other Governmental Funds	Total Governmental Funds
0	318,925
25,000	2,965,725
0	(3,465,725)
25,000	(181,075)
212,896	141,666
5,511,870	21,790,855
(3,843,703)	0
1,668,167	21,790,855
<u>\$ 1,881,063</u>	<u>\$ 21,932,521</u>

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, 2025

Net Change in Fund Balances - Total Governmental Funds	\$	141,666
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**Amounts reported for governmental activities in the statement of
activities are different because**

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

Capital Asset Additions	1,811,629	
Depreciation/Amortization Expense	<u>(2,706,008)</u>	(894,379)

Governmental funds only report the disposal of 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 the loss on the disposal of capital assets net of proceeds received.

Loss on Disposal of Capital Assets	(1,255,505)	
Proceeds from Sale of Capital Assets	<u>(318,925)</u>	(1,574,430)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(119,378)
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Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows:

Pension	2,467,738	
OPEB	<u>85,994</u>	2,553,732

Except for amounts reported as deferred inflows/outflows, changes in the net pension and OPEB liabilities/asset are reported as pension/OPEB expense in the statement of activities:

Pension	(1,541,339)	
OPEB	<u>522,755</u>	(1,018,584)

Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		29,098
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The internal service funds are used by management to charge the costs of services to individual funds and is not reported in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds are allocated among the governmental activities.

		<u>(117,468)</u>
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Change in Net Position of Governmental Activities	\$	<u>(999,743)</u>
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See accompanying notes to the basic financial statements

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FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

***Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2025***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 15,028,247	\$ 15,028,247	\$ 15,222,330	\$ 194,083
Tuition and Fees	1,045,000	1,045,000	780,438	(264,562)
Investment Earnings	650,000	650,000	842,774	192,774
Class Materials and Fees	5,000	5,000	3,131	(1,869)
Intergovernmental - State	13,837,952	13,837,952	13,833,056	(4,896)
Intergovernmental - Federal	132,037	132,037	130,274	(1,763)
Gifts and Donations	2,000	2,000	4,850	2,850
Miscellaneous	20,000	20,000	4,947	(15,053)
Total Revenues	30,720,236	30,720,236	30,821,800	101,564
Expenditures:				
Current:				
Regular	13,759,094	13,795,375	13,346,485	448,890
Special	3,311,483	3,275,199	3,006,418	268,781
Vocational	107,827	107,828	150,089	(42,261)
Intervention	351,723	351,724	229,632	122,092
Support Services:				
Pupils	1,570,775	1,570,774	1,347,707	223,067
Instructional Staff	841,761	841,761	767,189	74,572
Board of Education	208,012	208,012	145,356	62,656
Administration	2,800,465	2,800,463	2,367,269	433,194
Fiscal Services	729,262	729,262	1,078,320	(349,058)
Operation and Maintenance of Plant	2,405,985	2,405,989	2,156,114	249,875
Pupil Transportation	1,952,234	1,952,234	1,750,731	201,503
Central	234,181	234,181	181,512	52,669
Non-Instructional:				
Food Service Operations	106,239	106,239	219,493	(113,254)
Extracurricular Activities	736,787	736,787	711,047	25,740
Capital Outlay	164,151	164,151	45	164,106
Total Expenditures	29,279,979	29,279,979	27,457,407	1,822,572
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,440,257	1,440,257	3,364,393	1,924,136

(Continued)

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Other Financing Sources (Uses):				
Proceeds from the Sale of Capital Assets	0	0	53,307	53,307
Transfers Out	(4,000,000)	(4,000,000)	(3,815,725)	184,275
Advances In	120,000	120,000	120,000	0
Advances Out	(396,900)	(396,900)	(120,000)	276,900
Refund of Prior Year Expenditures	1,000	1,000	30	(970)
Total Other Financing Sources (Uses):	<u>(4,275,900)</u>	<u>(4,275,900)</u>	<u>(3,762,388)</u>	<u>513,512</u>
Net Change in Fund Balance	(2,835,643)	(2,835,643)	(397,995)	2,437,648
Fund Balance at Beginning of Year	4,881,091	4,881,091	4,881,091	0
Prior Year Encumbrances	184,202	184,202	184,202	0
Fund Balance at End of Year	<u>\$ 2,229,650</u>	<u>\$ 2,229,650</u>	<u>\$ 4,667,298</u>	<u>\$ 2,437,648</u>

See accompanying notes to the basic financial statements

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Statement of Net Position Proprietary Funds June 30, 2025

	Governmental Activities - Internal Service Funds
Assets:	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$ 1,089,201
Total Assets	<u>1,089,201</u>
Liabilities:	
<i>Current Liabilities:</i>	
Claims Payable	818,070
Total Liabilities	<u>818,070</u>
Net Position:	
Unrestricted	271,131
Total Net Position	<u>\$ 271,131</u>

See accompanying notes to the basic financial statements

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

***Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2025***

	Governmental Activities - Internal Service Funds
Operating Revenues:	
Charges for Services	\$ 4,350,169
Total Operating Revenues	4,350,169
 Operating Expenses:	
Claims	4,967,637
Total Operating Expenses	4,967,637
 Operating Loss	 (617,468)
 Transfers:	
Transfers In	500,000
Total Transfers	500,000
 Change in Net Position	 (117,468)
 Net Position Beginning of Year	 388,599
Net Position End of Year	\$ 271,131

See accompanying notes to the basic financial statements

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2025

	Governmental Activities - Internal Service Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Interfund Charges	\$4,350,169
Cash Payments for Claims	<u>(4,739,018)</u>
Net Cash Used by Operating Activities	<u>(388,849)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>	
Transfers In	<u>500,000</u>
Net Cash Provided by Noncapital Financing Activities	<u>500,000</u>
Net Increase in Cash and Cash Equivalents	111,151
Cash and Cash Equivalents at Beginning of Year	<u>978,050</u>
Cash and Cash Equivalents at End of Year	<u><u>\$1,089,201</u></u>
<u>Reconciliation of Operating Loss to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Loss	(\$617,468)
Adjustments to Reconcile Operating Loss to	
Net Cash Used for Operating Activities:	
Changes in Assets and Liabilities:	
Increase in Claims Payable	<u>228,619</u>
Total Adjustments	<u>228,619</u>
Net Cash Used for Operating Activities	<u><u>(\$388,849)</u></u>

See accompanying notes to the basic financial statements

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Franklin Local School District (the “District”) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by State statute and federal guidelines. The District was established in 1827 through the consolidation of existing land areas and Districts. The 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 District is staffed by 114 classified employees, 162 certificated full-time teaching personnel, and 14 administrative employees who provide services to 1,805 students and other community members. The District currently operates four instructional buildings, one administrative building, and one garage.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization’s resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the 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 District has no component units.

The 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 15 and 16 to the basic financial statements.

B. Basis of Presentation - Fund Accounting

The accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred outflows/inflows of resources, net position, revenues and expenditures/expenses. The various funds are grouped into the categories governmental and proprietary.

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Governmental Funds - These are the funds through which most governmental functions typically are financed. The acquisition, use and balances of the District's expendable financial resources and the related current liabilities (except those accounted for in the proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of "financial flow" (sources, uses and balances of financial resources). The following are the District's major governmental funds:

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

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

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

Proprietary Funds - The proprietary funds are accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets, liabilities, and deferred outflows/inflows of resources associated with the operation of the proprietary funds are included on the balance sheet. The proprietary fund operating statement presents increases (i.e., revenues) and decreases (i.e., expenses) in net position.

Internal Service Funds - Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District or to other governments on a cost-reimbursement basis. The District's internal service fund accounts for premiums and costs associated with a medical, surgical, dental, and prescription drug self-insurance program.

C. Basis of Presentation - Financial Statements

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses.

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund 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.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the 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 and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. 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 District.

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, current liabilities, deferred outflows/inflows of resources, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, liabilities, and deferred outflows/inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the District is considered to be 60 days after fiscal year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

Under the modified accrual basis, the following revenue sources are considered susceptible to accrual at year end: property taxes, tuition, grants and entitlements, student fees, and interest on investments.

Current property taxes measurable at June 30, 2025, but which are not intended to finance fiscal 2025 operations, have been recorded as deferred inflows of resources. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at fiscal year end.

The accrual basis of accounting is utilized for reporting purposes by the government-wide financial statements and proprietary funds. Revenues are recognized when they are earned and expenses are recognized when incurred.

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.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. 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 fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year.

All funds other than custodial funds are legally required to be budgeted and appropriated; however, only the General Fund and Major Special Revenue Funds are required to be reported. The primary level of budgetary control established by the board of education is 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.

1. Tax Budget

By January 15, the Superintendent and Treasurer submit an annual operating budget for the following fiscal year to the Board of Education for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year for the period July 1 to June 30 of the following fiscal year.

2. Estimated Resources

Prior to April 1, the Board accepts by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the first and final amended official certificate of estimated resources issued during fiscal year 2025.

3. Appropriations

A temporary appropriation measure to control expenditures may be passed on or about July 1 of each year for the period July 1 through September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 through June 30. The appropriation resolution establishes spending controls at the fund level. The appropriation resolution may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. The allocation of appropriations may be modified during the year. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual (Non-GAAP Budgetary Basis) are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

4. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

5. Basis of Budgeting

The District's budgetary process accounts for certain transactions on a basis other than accounting principles generally accepted in the United States of America (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting.

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

	Net Change in Fund Balance
	General Fund
GAAP Basis (as reported)	(\$1,585,384)
Increase (Decrease):	
Accrued Revenues at June 30, 2025, received during FY 2026	(6,322,171)
Accrued Revenues at June 30, 2024, received during FY 2025	7,831,558
Accrued Expenditures at June 30, 2025, paid during FY 2026	3,707,749
Accrued Expenditures at June 30, 2024, paid during FY 2025	(3,554,885)
FY 2024 Prepaids for FY 2025	215,109
FY 2025 Prepaids for FY 2026	(222,926)
Adjustment to Fair Value of Investments	(4,723)
Encumbrances Outstanding	(233,766)
Perspective Difference:	
Activity of Funds Reclassified for GAAP Reporting Purposes	(228,556)
Budget Basis	(\$397,995)

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits and investments with original maturities of less than three months.

The District pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintained its own cash and investment account. See Note 5, "Cash, Cash Equivalents and Investments."

G. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. The District allocates interest among certain funds based upon the fund's cash balance at the date of investment. In accordance with GASB Statement No. 31, "*Accounting and Financial Reporting for Certain Investments and for External Investment Pools*" and GASB Statement No. 72, "*Fair Value Measurement and Application*," the District records all its investments at fair value except for nonparticipating investment contracts which are reported at cost, which approximates fair value. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statements.

During fiscal year 2025, 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 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 2025 amounted to \$891,973, which includes \$608,406 credited to the General Fund from other District funds.

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Inventory

On the government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used.

On the fund financial statements, inventories of governmental funds are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of supplies held for resale. The cost of inventory items is recorded as an expenditure in the governmental fund types when consumed or used.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2025, 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 year in which services are consumed.

J. Capital Assets and Depreciation

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 District's only capital assets are general capital assets.

All capital assets and capital asset groupings (except for intangible right-to-use subscription assets which are discussed below) are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The 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 District maintains a capitalization threshold of \$10,000. Improvements are capitalized for cost exceeding \$5,000; 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.

The District reports capital assets for Subscription Based Information Technology Arrangements (SBITAs). A SBITA asset is an intangible asset which represents the District's right to use another entity's information technology software. The District reports SBITA assets for various instructional and financial software.

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets and Depreciation (Continued)

2. Depreciation

All capital assets are depreciated, excluding land and construction in progress. Depreciation has been provided using the straight-line method over the following estimated useful lives:

Description	Estimated Lives (in years)
Land Improvements	10-30
Building and Improvements	10-40
Furniture and Equipment	5-20
Vehicles	3-10

K. Long-Term Obligations

Long-term liabilities are being repaid from the following funds:

Obligation	Fund
Compensated Absences	General Fund, Lunchroom Fund, District Managed
Net Pension Liability/Net	Activities, Title VI-B, and Title I
OPEB Liability	

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Compensated Absences

GASB Statement No. 101, “*Compensated Absences*”, requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. GASB Statement No. 101 establishes guidance for measuring a liability for leave that has not been used, generally using an employee’s pay rate as of the date of the financial statements. In addition, certain salary related payments that are directly and incrementally associated with the payments for leave should be included in the measurement of the liability. Accrued vacation and sick leave are accumulated to District employees at varying amounts and are attributable to services already rendered. At the time of the employee’s termination, such accruals are paid to the employee at varying rates from the fund to which the employee’s payroll is charged.

Certified employees may earn 12 days of sick leave per year up to a maximum of 250 days for severance purposes. Upon retirement, certified employees will receive \$125 times the number of accumulated and unused sick leave up to a maximum of 250 days for severance. Classified employees may earn 15 days of sick leave per year up to a maximum of 250 days severance purposes. Upon retirement, employees will receive one-half of the accumulated sick leave up to a maximum of 250 days. Upon employment termination, certain non-union non-certified employees with 10 or more years of service with the District will receive one-half of the accumulated sick leave up to a maximum of 250 days. For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account “Compensated Absences Payable.” For governmental funds, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. In the government-wide statement of net position, “Compensated Absences Payable” is recorded within the “Due within one year” account and the long-term portion of the liability is recorded within the “Due in more than one year” account.

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Net Position

Net position represents the difference between assets, liabilities, and deferred outflows/inflows of resources. 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 use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

N. Pension/OPEB

For purposes of measuring the net pension/OPEB liability/asset, deferred outflows of resources and deferred inflows of resources related to pension/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.

O. Interfund Activity

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 and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

P. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the 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 legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Fund Balance (Continued)

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

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education. Those committed amounts cannot be used for any other purpose unless the 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 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 District Board of Education.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. The 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 amounts in any of the unrestricted fund balance classifications could be used.

Q. Restricted Assets

Assets are reported as restricted when limitation on their use change the nature 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.

R. Estimates

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

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are interfund charges for the internal service fund self insurance program. Operating expenses are the necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The District had no extraordinary or special items during fiscal year 2025.

U. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until then. For the 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 10 and 11.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include leases, property taxes, pension, OPEB, and unavailable revenue. On the government-wide statement of net position and governmental funds balance sheet, property taxes that are intended to finance future fiscal periods, as well as lease revenues that relate to future periods, are reported as deferred inflows. In addition, the governmental funds balance sheet reports some deferred inflows which arise only under a modified accrual basis of accounting. Accordingly, the item, unavailable amounts, is reported only in the governmental funds balance sheet. The governmental funds report unavailable amounts for property taxes and grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of net position and are explained in Notes 10 and 11.

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2025

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Equities - The fund deficits at June 30, 2025 of \$50,351 in the Special Education Part B-IDEA Fund and \$42,448 in the Title I Fund (nonmajor governmental special revenue funds) arose from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary basis. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2025, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 101, “Compensated Absences” and Statement No. 102, “Certain Risk Disclosures.”

GASB Statement No. 102 requires the disclosure of information about risks related to a government’s vulnerabilities due to certain concentrations or constraints. The implementation of this Statement had no effect on beginning net position/fund balance.

GASB Statement No. 101 updates the recognition and measurement guidance for compensated absences. The implementation of this Statement had the following effect on beginning net position:

	<u>Governmental Activities</u>
Net Position at June 30, 2024, as Reported	\$31,364,398
Adjustments:	
Increase in Compensated Absences	<u>(1,638,943)</u>
Net Position at June 30, 2024, as Restated	<u><u>\$29,725,455</u></u>

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FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2025

NOTE 4 – FUND BALANCES

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

Fund Balances	General Fund	Capital Projects Fund	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
Prepaid Items	\$222,926	\$0	\$0	\$2,445	\$225,371
Materials and Supplies Inventory	9,851	0	0	8,765	18,616
Unclaimed Funds	1,545	0	0	0	1,545
Total Nonspendable	<u>234,322</u>	<u>0</u>	<u>0</u>	<u>11,210</u>	<u>245,532</u>
Restricted:					
Food Service Operations	0	0	0	341,827	341,827
Early Childhood Education	0	0	0	150,558	150,558
Miscellaneous Grants	0	0	0	70,000	70,000
Classroom Facilities Maintenance	0	0	0	1,193,938	1,193,938
Debt Service Payments	0	0	0	330	330
Capital Acquisition and Improvement	0	0	921,731	0	921,731
District Managed Student Activities	0	0	0	115,393	115,393
Title I	0	0	0	5,559	5,559
Total Restricted	<u>0</u>	<u>0</u>	<u>921,731</u>	<u>1,877,605</u>	<u>2,799,336</u>
Committed:					
Scholarships	0	0	0	37,382	37,382
After School Programs	0	0	0	47,665	47,665
Capital Acquisition and Improvement	0	5,828,970	3,414,114	0	9,243,084
Severance Payments	754,987	0	0	0	754,987
Total Committed	<u>754,987</u>	<u>5,828,970</u>	<u>3,414,114</u>	<u>85,047</u>	<u>10,083,118</u>
Assigned:					
Capital Improvement	0	0	1,129,484	0	1,129,484
Services and Supplies	165,971	0	0	0	165,971
Budget Resource	1,611,389	0	0	0	1,611,389
Public School Support	141,783	0	0	0	141,783
Total Assigned	<u>1,919,143</u>	<u>0</u>	<u>1,129,484</u>	<u>0</u>	<u>3,048,627</u>
Unassigned (Deficit)	<u>5,848,707</u>	<u>0</u>	<u>0</u>	<u>(92,799)</u>	<u>5,755,908</u>
Total Fund Balances	<u><u>\$8,757,159</u></u>	<u><u>\$5,828,970</u></u>	<u><u>\$5,465,329</u></u>	<u><u>\$1,881,063</u></u>	<u><u>\$21,932,521</u></u>

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2025

NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents and investments.

Statutes require the classification of funds held by the District into three categories. Category 1 consists of “active” funds - those funds required to be kept in a “cash” or “near cash” status for immediate use by the District. Such funds must be maintained either as cash in the District Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of “inactive” funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

Category 3 consists of “interim” funds - those funds which are not needed for immediate use but, which will be needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2025

NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

- The State Treasury Asset Reserve of Ohio (STAR Ohio).
- Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty five percent of the interim monies available for investment at any one time; and
- Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to it. The District has no deposit policy for custodial risk beyond the requirements of State statute.

Ohio law requires that deposits be either insured or be protected by eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or 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. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

At fiscal year end, the carrying amount of the District's deposits was \$6,458,556 and the bank balance was \$6,930,738. Federal depository insurance covered \$750,150 of the bank balance and \$6,180,588 was exposed to custodial risk and was collateralized with securities held by the pledging financial institutions trust department or agent but not in the District's name and securities held in the Ohio Pooled Collateral System.

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2025

NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

B. Investments (Continued)

The District's investments at June 30, 2025 were as follows:

	Fair Value	Credit Rating	Investment Maturities (in Years)		
			less than 1	1-3	3-5
U.S. Treasuries	\$4,890,661	AAA+ ¹	\$995,625	\$1,444,673	\$2,450,363
FNMA	499,426	AAA+ ¹	0	0	499,426
FFCB	751,722	AAA+ ¹	0	249,777	501,945
FHLB	3,942,204	AAA+ ¹	0	3,088,575	853,629
Negotiable Certificates of Deposit	2,879,417	N/A	733,592	1,408,223	737,602
Total Investments	<u>\$12,963,430</u>		<u>\$1,729,217</u>	<u>\$6,191,248</u>	<u>\$5,042,965</u>

¹ Standard & Poor's

² Morningstar

³ Reported at amortized cost

The 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 District's recurring fair value measurements as of June 30, 2025. 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 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 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 District has no investment policy that addresses credit risk.

Concentration of Credit Risk – The District places no limit on the amount the District may invest in one issuer.

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2025

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the 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 District. Real property tax revenue received in calendar year 2025 represents collections of calendar year 2024 taxes. Real property taxes received in calendar year 2025 were levied after April 1, 2024, on the assessed value listed as of January 1, 2024, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2025 represents collections of calendar year 2024 taxes. Public utility real and tangible personal property taxes received in calendar year 2025 became a lien December 31, 2023, were levied after April 1, 2024 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The District receives property taxes from Muskingum and Perry Counties. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2025, are available to finance fiscal year 2026 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, 2025, 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, 2025, was \$7,112,055 and is recognized as revenue: \$6,264,002 in the General Fund, \$120,380 in the Classroom Facilities Maintenance Special Revenue Fund, and \$727,673 in the Permanent Improvement Capital Projects Funds. The amount available as an advance at June 30, 2024, was \$8,798,919 and is recognized as revenue: \$7,782,941 in the General Fund, \$148,881 in the Classroom Facilities Maintenance Special Revenue Fund, and \$867,097 in the Permanent Improvement Capital Projects Funds.

The assessed values upon which the fiscal year 2025 taxes were collected are:

	2024 Second Half Collections	2025 First Half Collections
Agricultural/Residential and Other Real Estate	\$252,199,500	\$350,241,390
Public Utility Personal	241,159,560	243,094,920
Total Assessed Value	<u>\$493,359,060</u>	<u>\$593,336,310</u>
Tax rate per \$1,000 of assessed valuation	\$34.40	\$34.40

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2025

NOTE 7 - RECEIVABLES

Receivables at June 30, 2025 consisted of taxes, accounts, interfund, intergovernmental, and interest receivables.

All receivable, 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 \$1,914,552 as of June 30, 2025.

A summary of intergovernmental receivables are as follows:

Governmental Activities:	<u>Amounts</u>
School Lunch Reimbursements	\$159,213
Early Childhood Education	150,558
Miscellaneous Reimbursements	70,000
Idea Part B	113,264
Title I Supplemental School Improvement	53,604
Title I	162,243
Medicare	4,360
Title IV-A	10,588
Idea, Early Childhood Restoration	16,708
Title II-A	73,751
Total	<u><u>\$814,289</u></u>

NOTE 8 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

Following is a summary of interfund receivables/payables for all funds at June 30, 2025:

	<u>Interfund Loans Receivable</u>	<u>Interfund Loans Payable</u>
General Fund	\$219,431	\$0
Other Governmental Funds	0	219,431
Totals	<u><u>\$219,431</u></u>	<u><u>\$219,431</u></u>

These Interfund Loans are short-term loans to prevent a temporary cash deficit.

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2025

NOTE 8 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (Continued)

Following is a summary of transfers in and out for all funds for fiscal year 2025:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General Fund	\$0	\$3,465,725
Permanent Improvement	2,940,725	0
Other Governmental Funds	25,000	0
Total Governmental Funds	2,965,725	3,465,725
Proprietary Funds:		
Internal Service Funds	500,000	0
Totals	<u>\$3,465,725</u>	<u>\$3,465,725</u>

Transfers are used to move revenues from the funds that statute or budget requires to collect them to the funds that statute or budget requires to expend them; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; to return money to the fund from which it was originally provided once a project is completed; to transfer capital assets; and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. All transfers made in fiscal year 2025 were allowable under Ohio Revised Code Sections 5705.14, 5705.15, and 5705.16.

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements **For the Fiscal Year Ended June 30, 2025**

NOTE 9 - CAPITAL ASSETS

Summary by category of changes in governmental activities capital assets at June 30, 2025:

Historical Cost:	Balance at			Balance at
Class	June 30, 2024	Additions	Deletions	June 30, 2025
Capital assets not being depreciated:				
Land	\$1,450,492	\$0	\$0	\$1,450,492
Construction in Progress	526,885	324,314	(529,681)	321,518
	<u>1,977,377</u>	<u>324,314</u>	<u>(529,681)</u>	<u>1,772,010</u>
Capital assets being depreciated:				
Land Improvements	5,774,733	66,561	(136,513)	5,704,781
Buildings and Improvements	58,673,137	371,164	(6,022,163)	53,022,138
Furniture and Equipment	5,019,809	1,230,192	(372,115)	5,877,886
Vehicles	3,100,834	349,079	(174,026)	3,275,887
Intangible Right-to-use Asset:				
SBITA	235,904	0	0	235,904
Total Cost	<u>\$74,781,794</u>	<u>\$2,341,310</u>	<u>(\$7,234,498)</u>	<u>\$69,888,606</u>
Accumulated Depreciation:	Balance at			Balance at
Class	June 30, 2024	Additions	Deletions	June 30, 2025
Land Improvements	(\$3,123,789)	(\$363,352)	\$91,160	(\$3,395,981)
Buildings and Improvements	(35,306,043)	(1,934,793)	4,527,857	(32,712,979)
Furniture and Equipment	(2,647,875)	(209,265)	343,811	(2,513,329)
Vehicles	(1,149,875)	(129,338)	167,559	(1,111,654)
Intangible Right-to-use Asset:				
SBITA	(136,976)	(69,260)	0	(206,236)
Total Depreciation	<u>(\$42,364,558)</u>	<u>(\$2,706,008)</u>	<u>\$5,130,387</u>	<u>(\$39,940,179)</u>
Net Value:	<u>\$32,417,236</u>			<u>\$29,948,427</u>

Included in the additions and deletions in the table above is a reclassification of construction in progress totaling \$529,681, resulting from the completion of various projects. Of this amount, \$330,282 was reclassified to Buildings and Improvements, while the remaining \$199,399 was removed due to the Philo High School Renovations project being discontinued.

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

NOTE 9 - CAPITAL ASSETS (Continued)

Depreciation was charged to governmental functions as follows:

	<u>Depreciation</u>	<u>Amortization</u>	<u>Total</u>
Instruction:			
Regular	\$1,113,492	\$69,260	\$1,182,752
Special	400,857	0	400,857
Vocational	8,907	0	8,907
Intervention	8,908	0	8,908
Support Services:			
Pupils	97,987	0	97,987
Instructional Staff	53,448	0	53,448
Administration	169,251	0	169,251
Fiscal Services	26,724	0	26,724
Operation and Maintenance of Plant	133,619	0	133,619
Transportation	231,606	0	231,606
Central	8,908	0	8,908
Operation of Non-Instructional:			
Food Service Operations	151,435	0	151,435
Extracurricular Activities	231,606	0	231,606
Total Depreciation Expense	<u>\$2,636,748</u>	<u>\$69,260</u>	<u>\$2,706,008</u>

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FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2025

NOTE 10 - DEFINED BENEFIT PENSION PLANS

All of the District's full-time employees participate in one of two separate retirement systems which are cost-sharing, multiple-employer defined benefit pension plans.

A. Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability 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 this estimate annually.

Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2025

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

B. Plan Description

School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. 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, 2025, the allocation to pension, death benefits, and Medicare B was 14 percent. No amount was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$695,199 for fiscal year 2025. Of this amount \$60,439 is reported as an intergovernmental payable.

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2025

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

B. Plan Description (Continued)

State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. The calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of credited service. Effective August 1, 2023, any member can retire with unreduced benefits with 34 years of services credit at any age; or five years of service credit and age 65. Effective June 1, 2025 - July 1, 2027, any member can retire with unreduced benefits with 33 years of service credit at any age; or five years of service credit and age 65. Effective on or after August 1, 2027, any member can retire with unreduced benefits with 34 years of service credit at any age; or five years of service credit and age 65.

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. Effective July 1, 2023, a permanent 1 percent COLA of the base benefit was granted to eligible benefit recipients to begin on the anniversary of their retirement benefit in fiscal year 2024 as long as they retired prior to July 1, 2019.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits effective August 1, 2023, can retire with 29 years of service credit at any age; or five years of service credit and age 60. Effective June 1, 2025 - July 1, 2027, retirement eligibility for reduced benefits is 28 years of service credit at any age; or five years of service credit and age 60. Effective on or after August 1, 2027, retirement eligibility for reduced benefits is 29 years of service credit at any age; or five years of service credit and age 60.

The DC Plan allows members to place all of their member contributions and 11.09 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 2.91 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2025

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

B. Plan Description (Continued)

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent 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 after termination of employment at age 50 or later.

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2025, the employer rate was 14% and the member rate was 14% of covered payroll. The fiscal year 2025 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$1,772,539 for fiscal year 2025. Of this amount \$305,260 is reported as an intergovernmental payable.

C. 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, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities.

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2025

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$5,327,944	\$17,014,328	\$22,342,272
Proportion of the Net Pension Liability -2025	0.10415100%	0.08842463%	
Proportion of the Net Pension Liability -2024	0.11412920%	0.09007572%	
Percentage Change	<u>(0.00997820%)</u>	<u>(0.00165109%)</u>	
Pension Expense	\$442,781	\$1,098,558	\$1,541,339

At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$203,416	\$1,071,458	\$1,274,874
Change of assumptions	47,663	784,113	831,776
District contributions subsequent to the measurement date	695,199	1,772,539	2,467,738
Changes in proportionate share	88,403	246,573	334,976
Total Deferred Outflows of Resources	<u>\$1,034,681</u>	<u>\$3,874,683</u>	<u>\$4,909,364</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$9,317	\$9,317
Changes of assumptions	0	590,213	590,213
Net difference between projected and actual earnings on pension plan investments	333,260	1,462,885	1,796,145
Changes in proportionate share and differences between District contributions and proportionate share of contributions	392,722	280,331	673,053
Total Deferred Inflows of Resources	<u>\$725,982</u>	<u>\$2,342,746</u>	<u>\$3,068,728</u>

\$2,467,738 reported as deferred outflows of resources related to pension resulting from 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, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2026	(\$348,438)	(\$803,080)	(\$1,151,518)
2027	225,321	1,481,300	1,706,621
2028	(165,385)	(512,232)	(677,617)
2029	(97,998)	(406,590)	(504,588)
Total	<u>(\$386,500)</u>	<u>(\$240,602)</u>	<u>(\$627,102)</u>

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2025

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

D. Actuarial Assumptions

School Employees Retirement System (SERS)

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2024, are presented below:

Wage Inflation	2.40 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent
COLA or Ad Hoc COLA	2.00 percent
Investment Rate of Return	7.00 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal

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% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disable 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% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

The most recent experience study was completed June 30, 2020.

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2025

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

D. Actuarial Assumptions (Continued)

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	3.00%	0.97%
US Equity	22.00%	4.68%
Non-US Equity Developed	12.00%	4.96%
Non-US Equity Emerging	6.00%	5.66%
Fixed Income/Global Bonds	18.00%	2.38%
Private Equity	14.00%	7.10%
Real Estate	13.00%	3.64%
Infrastructure	7.00%	4.80%
Private Debt/Private Credit	5.00%	5.86%
Total	<u>100.00%</u>	

Discount Rate - The total pension liability 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 earning were calculated using the long-term assumed investment rate of return (7.00 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability. The annual money-weighted rate of return, calculated as the internal rate of return on pension plan investments, for fiscal year 2024 was 9.31%.

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

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2025

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

D. Actuarial Assumptions (Continued)

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability	\$8,151,018	\$5,327,944	\$2,951,070

State Teachers Retirement System (STRS)

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2024 actuarial valuation are presented below:

Inflation	2.50 percent
Projected salary increases	Varies by service from 2.50 percent to 8.50 percent
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation
Discount Rate	7.00 percent
Payroll Increases	3.00 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017

For 2024, Post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110% 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% for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Actuarial assumptions used in the June 30, 2024 valuation are based on the results of the latest available actuarial experience study which is for the period July 1, 2015 through June 30, 2021.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2025

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

D. Actuarial Assumptions (Continued)

<u>Asset Class</u>	<u>Target Allocation*</u>	<u>Long Term Expected Rate of Return**</u>
Domestic Equity	26.00 %	6.90 %
International Equity	22.00	7.70
Alternatives	19.00	9.10
Fixed Income	22.00	4.50
Real Estate	10.00	5.10
Liquidity Reserves	1.00	2.40
Total	<u>100.00 %</u>	

*Final target weights reflected at October 1, 2022.

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

Discount Rate - The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2024. The projection of cash flows used to determine the discount rate assumes 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. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not 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, 2024. Therefore, the long-term expected rate of return on pension plan investments of 7.00 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2024.

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

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
District's proportionate share of the net pension liability	\$27,447,092	\$17,014,328	\$8,190,001

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2025

NOTE 11 - DEFINED BENEFIT OPEB PLANS

A. Net OPEB Liability (Asset)

The net OPEB liability (asset) reported on the statement of net position represents a liability (asset) for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability (asset) represents the District's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net 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 District's obligation to annually required payments. The District cannot control benefit terms or the manner in which OPEB are financed; however, the District does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded OPEB liabilities within 30 years. If the OPEB 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 OPEB liability (asset). Resulting adjustments to the net 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 long-term *net OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

B. Plan Description

School Employees Retirement System (SERS)

The 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.

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2025

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

B. Plan Description (Continued)

In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Annual Comprehensive Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2025, 0.0 percent of covered payroll was contributed 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 2025, this amount was \$30,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2025, the District's surcharge obligation was \$85,994.

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 District's contractually required contribution to SERS was \$85,994 for fiscal year 2025, which is reported as an intergovernmental payable.

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2025

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

B. Plan Description (Continued)

State Teachers Retirement System (STRS)

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

Medicare Part D is a federal program to help cover the costs of prescription drugs for Medicare beneficiaries. This program allows STRS Ohio to recover part of the cost for providing prescription coverage since all eligible STRS Ohio health care plans include creditable prescription drug coverage.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2025, STRS Ohio allocated employer contributions equal to zero percent of covered payroll to the Health Care Stabilization Fund.

C. 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, 2024, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability (asset) was based on the District's share of contributions to the pension and OPEB plans relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportionate Share of the Net OPEB Liability (Asset)	\$1,081,798	(\$1,677,246)	
Proportion of the Net OPEB Liability (Asset) -2025	0.10621520%	0.08842463%	
Proportion of the Net OPEB Liability (Asset) -2024	0.11732400%	0.09007572%	
Percentage Change	<u>(0.01110880%)</u>	<u>(0.00165109%)</u>	
OPEB Expense	(\$153,231)	(\$369,524)	(\$522,755)

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements **For the Fiscal Year Ended June 30, 2025**

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

C. OPEB Liability (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$0	\$72,914	\$72,914
Changes of assumptions	464,307	206,444	670,751
Net difference between projected and actual earnings on OPEB plan investments	5,280	0	5,280
Changes in proportionate share	239,250	11,488	250,738
District contributions subsequent to the measurement date	85,994	0	85,994
Total Deferred Outflows of Resources	<u>\$794,831</u>	<u>\$290,846</u>	<u>\$1,085,677</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$1,166,454	\$180,753	\$1,347,207
Changes of assumptions	496,940	756,425	1,253,365
Changes in proportionate share	278,207	3,690	281,897
Net difference between projected and actual earnings on OPEB plan investments	0	72,015	72,015
Total Deferred Inflows of Resources	<u>\$1,941,601</u>	<u>\$1,012,883</u>	<u>\$2,954,484</u>

\$85,994 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2026	(\$275,848)	(\$255,983)	(\$531,831)
2027	(181,816)	(111,648)	(293,464)
2028	(146,112)	(143,223)	(289,335)
2029	(158,242)	(133,400)	(291,642)
2030	(156,650)	(107,805)	(264,455)
Thereafter	(314,096)	30,022	(284,074)
Total	<u>(\$1,232,764)</u>	<u>(\$722,037)</u>	<u>(\$1,954,801)</u>

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2025

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

D. Actuarial Assumptions

School Employees Retirement System (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, prepared as of June 30, 2024, are presented below:

Wage Inflation	2.40 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent
Investment Rate of Return	7.00 percent net of investment expense, including inflation
Fiduciary Net Position is Expected to be Depleted	2059
Municipal Bond Index Rate:	
Measurement Date	3.93 percent
Prior Measurement Date	3.86 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	4.88 percent
Prior Measurement Date	4.27 percent
Medical Trend Assumption	
Measurement Date	7.00 to 4.40 percent
Prior Measurement Date	6.75 to 4.40 percent

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2025

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

D. Actuarial Assumptions (Continued)

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% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disable 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% for males and set forward 3 years and adjusted 106.8% 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 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%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2020 five-year experience study, are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	3.00%	0.97%
US Equity	22.00%	4.68%
Non-US Equity Developed	12.00%	4.96%
Non-US Equity Emerging	6.00%	5.66%
Fixed Income/Global Bonds	18.00%	2.38%
Private Equity	14.00%	7.10%
Real Estate	13.00%	3.64%
Infrastructure	7.00%	4.80%
Private Debt/Private Credit	5.00%	5.86%
Total	<u>100.00%</u>	

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2025

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

D. Actuarial Assumptions (Continued)

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2024, was 4.88%. The discount rate used to measure the total OPEB liability prior to June 30, 2024, was 4.27%. 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% of projected covered payroll each year, which includes a 1.50% 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 in 2059 by SERS actuaries. The Fidelity General Obligation 20-year Municipal Bond Index Rate is used in the determination of the SEIR for both the June 30, 2023 and the June 30, 2024 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 3.93% at June 30, 2024 and 3.86% at June 30, 2023.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and 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 (3.88%) and higher (5.88%) than the current discount rate (4.88%). 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 (3.88%)	Current Discount Rate (4.88%)	1% Increase (5.88%)
School District's proportionate share of the net OPEB liability	\$1,442,538	\$1,081,798	\$795,140

	1% Decrease (6.00% Decreasing to 3.40%)	Current Trend Rate (7.00% Decreasing to 4.40%)	1% Increase (8.00% Decreasing to 5.40%)
School District's proportionate share of the net OPEB liability	\$731,254	\$1,081,798	\$1,542,557

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2025

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

D. Actuarial Assumptions (Continued)

State Teachers Retirement System (STRS)

The total OPEB liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	June 30, 2024	June 30, 2023
Projected salary increases	Varies by service from 2.5 percent to 8.5 percent	Varies by service from 2.5 percent to 8.5 percent
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.00 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3 percent
Discount Rate of Return	7.00 percent	7.00 percent
Health Care Cost Trends		
Medical		
Pre-Medicare	7.50 percent initial 3.94 percent ultimate	7.50 percent initial 4.14 percent ultimate
Medicare	(112.22) percent initial 3.94 percent ultimate	(10.94) percent initial 4.14 percent ultimate
Prescription Drug		
Pre-Medicare	8.00 percent initial 3.94 percent ultimate	(11.95) percent initial 4.14 percent ultimate
Medicare	(15.14) percent initial 3.94 percent ultimate	1.33 percent initial 4.14 percent ultimate

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

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

Actuarial assumptions used in the June 30, 2024 valuation are based on the results of the latest available actuarial experience study which is for the period July 1, 2015 through June 30, 2021.

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2025

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

D. Actuarial Assumptions (Continued)

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 %	6.90 %
International Equity	22.00	7.70
Alternatives	19.00	9.10
Fixed Income	22.00	4.50
Real Estate	10.00	5.10
Liquidity Reserves	1.00	2.40
Total	<u>100.00 %</u>	

*Final target weights reflected at October 1, 2022.

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

Discount Rate - The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2024. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan assets of 7.00% was used to measure the total OPEB liability as of June 30, 2024.

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FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2025

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

D. Actuarial Assumptions (Continued)

Sensitivity of the District's Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount and Health Care Cost Trend Rates – The net OPEB liability (asset) is sensitive to changes in the discount and health care cost trend rates. To illustrate the potential impact the following table presents the net OPEB liability (asset) calculated using the discount rate of 7.00 percent, as well as what the net OPEB liability (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 rate. Also shown is the net OPEB liability (asset) calculated using a health care cost trend rate this is one percentage point lower and one percentage point higher.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net OPEB liability (asset)	(\$1,363,712)	(\$1,677,246)	(\$1,950,089)

	1% Decrease in Trend Rate	Current Trend Rate	1% Increase in Trend Rate
School District's proportionate share of the net OPEB liability (asset)	(\$1,968,520)	(\$1,677,246)	(\$1,326,952)

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FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2025

NOTE 12 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS

Detail of the changes in long-term debt and other long-term obligations of the District for the fiscal year ended June 30, 2025 is as follows:

	Restated Balance June 30, 2024	Additions	Deductions	Balance June 30, 2025	Amount Due Within One Year
Governmental Activities Other Long Term Obligations:					
Compensated Absences	\$3,745,249	\$106,031	\$0	\$3,851,280	\$761,795
Total Governmental Activities	<u>\$3,745,249</u>	<u>\$106,031</u>	<u>\$0</u>	<u>\$3,851,280</u>	<u>\$761,795</u>

*June 30, 2024 compensated absences balance was restated due to implementation of GASB Statement 101. See note 3.

**Increases and decreases to compensated absences are presented net in the above table.

*Beginning in fiscal year 2025 the Net Pension Liability and Net OPEB Liability will no longer be presented in this table.

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.

The overall debt margin of the District as of June 30, 2025, was \$53,400,598, with an unvoted debt margin of \$593,336.

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FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2025

NOTE 13 – STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into a capital acquisition reserve. During the fiscal year ended June 30, 2025, the reserve activity (cash-basis) was as follows:

	Capital Acquisition Reserve
Set-aside Cash Balance as of June 30, 2024	\$0
Current Fiscal Year Set-Aside Requirement	429,707
Current Fiscal Year Offset Credits	(1,663,149)
Qualifying Disbursements	(128,839)
Total	<u>(\$1,362,281)</u>
Set-aside Reserve Balance Carried Forward to Future Fiscal Years	<u>\$0</u>

Although the District had offsets and qualifying disbursements during the fiscal year that reduced the set-aside amounts below zero, the extra amount for capital acquisition may not be used to reduce the set-aside requirements of future fiscal years. Negative amounts for capital acquisition are therefore not presented as being carried forward to the next fiscal year.

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FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2025

NOTE 14 - RISK MANAGEMENT

A. Workers' Compensation

For fiscal year 2025, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating Districts is calculated as one experience and a common premium rate is applied to all 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 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.

B. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2025, the District contracted with the Ohio Risk Sharing Authority for the insurance shown as follows:

Property and Inland Marine - Replacemnt cost (\$250 deductible)	\$350,000,000
Automobile Liability (No Deductible)	15,000,000
Uninsured Motorist (No Deductible)	1,000,000
General Liability	
Per Ourrence	15,000,000
Total Per Year	17,000,000

There has been no reduction in insurance coverages from coverages in the prior fiscal year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

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

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FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2025

NOTE 14 - RISK MANAGEMENT (Continued)

C. 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 District's behalf. The medical coverage premiums covered by the Board of Education are \$660 monthly for single and \$1,603 monthly for family. The dental coverage premiums covered by the Board of Education are \$41 monthly for single and \$43 for family. The claims liability of \$818,070 reported in the internal service fund at June 30, 2025, 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 District purchases an aggregate stop-loss coverage policy in the amount of \$5,106,100 annually. In addition, the District has contracted for an excess stop-loss coverage with a maximum allowable covered expense per individual of \$100,000 annually.

Changes in the fund's claims liability amount in fiscal years 2024 and 2025 were as follows:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
2024	\$ 261,444	\$ 4,974,516	\$ (4,646,509)	\$ 589,451
2025	589,451	4,967,637	(4,739,018)	818,070

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FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2025

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

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

The District participates in the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council). The Council was created as a separate regional council of governments pursuant to State Statutes. The Council operates under the direction of a Board composed of a representative from each participating 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 2025, the total amount paid to the Council from the District was \$81,552 for technology services and financial accounting services and educational management information. The Jefferson County Educational Service Center serves as the fiscal agent. Financial information may be obtained from the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments at 2230 Sunset Blvd., Suite 2, Steubenville, Ohio 43952.

B. 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 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 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 District's continued participation. During fiscal year 2025, the District paid \$900 to the Career and Technology Center. The District does not retain an ongoing financial interest or an ongoing financial responsibility with any of these organizations. Financial information may be obtained from the Mid-East Career and Technology Center at 400 Richards Road, Zanesville, Ohio 43701.

C. Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools (CORAS) is a jointly governed organization composed of 120 Districts and other educational institutions in the 32-county region of Ohio designated as Appalachia. The CORAS is operated by a nineteen-member board composed of one elected and one appointed (one appointed seat is empty) from each of the eight regions into which the 32 Appalachian counties are divided, one dean appointed from the Ohio University College of Education, and three ex-officio members. The Board exercises total control over the operations of the CORAS including budgeting, appropriating, contracting, and designating management. Each participant's control is limited to its representation on the board. The CORAS provides various in-service training programs for 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 District personnel.

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2025

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

C. Coalition of Rural and Appalachian Schools (Continued)

The CORAS is not dependent on the continued participation of the District and the District does not maintain an equity interest in or financial responsibility for the CORAS. During fiscal year 2025, the District made a payment of \$400 to CORAS, c/o Ohio University, for 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.

D. 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 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 exercises 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 continued existence of the Coalition is not dependent on the District's continued participation. The Coalition is composed of over 500 Districts throughout the State of Ohio. Member 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 District and the District does not maintain an equity interest or financial responsibility for the Coalition. During fiscal year 2025, the District paid \$899 to the Coalition. The fiscal agent for the Coalition is the Muskingum Valley Educational Service Center. Financial information may be obtained from the Ohio Coalition of Equity and Adequacy of School Funding at 50 South Young Street, Suite M-102, Columbus, Ohio 43215.

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FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2025

NOTE 16 – INSURANCE PURCHASING POOLS

A. Ohio School Boards Association Workers' Compensation Group Rating Program

The 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 Districts pay an enrollment fee of the GRP to cover the costs of administering the program.

B. Schools of Ohio Risk Sharing Authority

The 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 Districts, educational service centers, and joint vocational Districts participate in the SORSA. SORSA is governed by a body elected by members. Members agree to jointly participate in coverages of losses and pay all contributions necessary for the specified insurance coverages provided by SORSA. These coverages include comprehensive general liability, automobile liability, certain property insurance, and public officials' errors and omissions liability insurance.

C. Ohio School Boards Association Insurance Trust

The 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 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.

D. Ohio School Benefits Cooperative

The 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 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, 2025

NOTE 16 – INSURANCE PURCHASING POOLS (Continued)

E. Ohio School Benefits Cooperative (Continued)

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 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 2025, the District elected to participate in the self-insured joint insurance program for medical, prescription drug, dental, and vision coverage. These coverages are made available to employees, but the board does not pay an employer share portion on vision coverage.

NOTE 17 – SIGNIFICANT COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at fiscal year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At June 30, 2025 the District had encumbrance commitments in the Governmental Funds as follows:

<u>Fund</u>	<u>Encumbrances</u>
General Fund	\$233,766
Permanent Improvement fund	1,680,014
Other Governmental Funds	90,683
Total Governmental Funds	<u>\$2,004,463</u>

NOTE 18 – CONTRACTUAL COMMITMENTS

<u>Projects</u>	<u>Purchase Commitments</u>	<u>Amounts Expended</u>	<u>Amounts Remaining</u>
Philo Athletic Complex Soccer Field	\$1,073,470	\$174,999	\$898,471
Bus Garage Fuel Tank	196,503	100,000	96,503
Total	<u>\$1,269,973</u>	<u>\$274,999</u>	<u>\$994,974</u>

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2025

NOTE 19 - CONTINGENCIES

A. Grants

The District receives 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 agreement and is 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 District at June 30, 2025.

B. Litigation

The District is not a party to any legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects as of June 30, 2025.

C. School Foundation

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year end. As of the date of this report, ODE adjustments for fiscal year 2025 have been finalized. The impact of the FTE adjustments are not significant to the School District.

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FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

***R*REQUIRED *S*SUPPLEMENTARY *I*NFORMATION**

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

Schedule of District's Proportionate Share of the Net Pension Liability Last Ten Fiscal Years

State Teachers Retirement System

	2016	2017	2018	2019
District's proportion of the net pension liability	0.09023920%	0.08895376%	0.08433844%	0.08369804%
District's proportionate share of the net pension liability	\$24,939,475	\$29,775,504	\$20,034,777	\$18,403,321
District's covered payroll	\$9,415,186	\$9,342,693	\$9,301,686	\$9,538,343
District's proportionate share of the net pension liability as a percentage of its covered payroll	264.89%	318.70%	215.39%	192.94%
Plan fiduciary net position as a percentage of the total pension liability	72.10%	66.80%	75.30%	77.30%

Source: District Treasurer's Office and State Teachers Retirement System

School Employees Retirement System

	2016	2017	2018	2019
District's proportion of the net pension liability	0.10015230%	0.09691620%	0.09958300%	0.09322450%
District's proportionate share of the net pension liability	\$5,714,787	\$7,093,371	\$5,949,864	\$5,339,140
District's covered payroll	\$2,989,560	\$3,024,821	\$3,183,679	\$3,166,104
District's proportionate share of the net pension liability as a percentage of its covered payroll	191.16%	234.51%	186.89%	168.63%
Plan fiduciary net position as a percentage of the total pension liability	69.16%	62.98%	69.50%	71.36%

Source: District Treasurer's Office and School Employees Retirement System

Notes: Amounts presented as of the District's measurement date which is the prior year end.

See accompanying notes to the required supplementary information

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

2020	2021	2022	2023	2024	2025
0.08273438%	0.08389243%	0.08708760%	0.08977525%	0.09007572%	0.08842463%
\$18,296,211	\$20,298,983	\$11,134,932	\$19,957,153	\$19,397,750	\$17,014,328
\$9,766,486	\$10,175,457	\$10,847,629	\$11,918,843	\$12,172,257	\$12,298,736
187.34%	199.49%	102.65%	167.44%	159.36%	138.34%
77.40%	75.50%	87.80%	78.90%	80.00%	82.50%
2020	2021	2022	2023	2024	2025
0.09807980%	0.09296060%	0.10840690%	0.11063340%	0.11412920%	0.10415100%
\$5,868,286	\$6,148,610	\$3,999,900	\$5,983,915	\$6,306,226	\$5,327,944
\$3,241,148	\$3,279,071	\$3,790,536	\$4,188,936	\$4,571,057	\$4,453,650
181.06%	187.51%	105.52%	142.85%	137.96%	119.63%
70.85%	68.55%	82.86%	75.82%	76.06%	78.52%

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

***Schedule of District Pension Contributions
Last Ten Fiscal Years***

State Teachers Retirement System

	2016	2017	2018	2019
Contractually required contribution	\$1,307,977	\$1,302,236	\$1,335,368	\$1,367,308
Contributions in relation to the contractually required contribution	<u>1,307,977</u>	<u>1,302,236</u>	<u>1,335,368</u>	<u>1,367,308</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District's covered payroll	\$9,342,693	\$9,301,686	\$9,538,343	\$9,766,486
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

Source: District Treasurer's Office and State Teachers Retirement System

School Employees Retirement System

	2016	2017	2018	2019
Contractually required contribution	\$423,475	\$445,715	\$427,424	\$437,555
Contributions in relation to the contractually required contribution	<u>423,475</u>	<u>445,715</u>	<u>427,424</u>	<u>437,555</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District's covered payroll	\$3,024,821	\$3,183,679	\$3,166,104	\$3,241,148
Contributions as a percentage of covered payroll	14.00%	14.00%	13.50%	13.50%

Source: District Treasurer's Office and School Employees Retirement System

See accompanying notes to the required supplementary information

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
\$1,424,564	\$1,518,668	\$1,668,638	\$1,704,116	\$1,721,823	\$1,772,539
<u>1,424,564</u>	<u>1,518,668</u>	<u>1,668,638</u>	<u>1,704,116</u>	<u>1,721,823</u>	<u>1,772,539</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$10,175,457	\$10,847,629	\$11,918,843	\$12,172,257	\$12,298,736	\$12,660,993
14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
\$459,070	\$530,675	\$586,451	\$639,948	\$623,511	\$695,199
<u>459,070</u>	<u>530,675</u>	<u>586,451</u>	<u>639,948</u>	<u>623,511</u>	<u>695,199</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$3,279,071	\$3,790,536	\$4,188,936	\$4,571,057	\$4,453,650	\$4,965,707
14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

***Schedule of the District's Proportionate Share of the Net Other Postemployment Benefits (OPEB) Liability (Asset)
Last Nine Fiscal Years***

State Teachers Retirement System

Fiscal Year	2017	2018	2019
District's proportion of the net OPEB liability (asset)	0.08895376%	0.08433844%	0.08369804%
District's proportionate share of the net OPEB liability (asset)	\$4,757,270	\$3,290,575	(\$1,344,943)
District's covered payroll	\$9,342,693	\$9,301,686	\$9,538,343
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	50.92%	35.38%	(14.10%)
Plan fiduciary net position as a percentage of the total OPEB liability	37.30%	47.10%	176.00%

Source: District Treasurer's Office and State Teachers Retirement System

School Employees Retirement System

Fiscal Year	2017	2018	2019
District's proportion of the net OPEB liability	0.09817860%	0.10092960%	0.09468580%
District's proportionate share of the net OPEB liability	\$2,798,453	\$2,708,685	\$2,626,840
District's covered payroll	\$3,024,821	\$3,183,679	\$3,166,104
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	92.52%	85.08%	82.97%
Plan fiduciary net position as a percentage of the total OPEB liability	11.49%	12.46%	13.57%

Source: District Treasurer's Office and School Employees Retirement System

Notes: The District implemented GASB Statement 75 in 2018.

The schedule is intended to show ten years of information. Additional years will be displayed as they become available. Information prior to 2017 is not available.

The schedule is reported as of the measurement date of the Net OPEB Liability (Asset), which is the prior year end.

See accompanying notes to the required supplementary information

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
0.08273438%	0.08389243%	0.08708760%	0.08977525%	0.09007572%	0.08842463%
(\$1,370,280)	(\$1,474,408)	(\$1,836,172)	(\$2,324,580)	(\$1,751,849)	(\$1,677,246)
\$9,766,486	\$10,175,457	\$10,847,629	\$11,918,843	\$12,172,257	\$12,298,736
(14.03%)	(14.49%)	(16.93%)	(19.50%)	(14.39%)	(13.64%)
174.70%	182.10%	174.70%	230.70%	168.50%	158.00%

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
0.10004040%	0.09500410%	0.11153260%	0.11305550%	0.11732400%	0.10621520%
\$2,515,807	\$2,064,749	\$2,110,847	\$1,587,311	\$1,932,849	\$1,081,798
\$3,241,148	\$3,279,071	\$3,790,536	\$4,188,936	\$4,571,057	\$4,453,650
77.62%	62.97%	55.69%	37.89%	42.28%	24.29%
15.57%	18.17%	24.08%	30.34%	30.02%	44.50%

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

**Schedule of District Other Postemployment Benefit (OPEB) Contributions
Last Ten Fiscal Years**

State Teachers Retirement System

	2016	2017	2018	2019
Contractually required contribution	\$0	\$0	\$0	\$0
Contributions in relation to the contractually required contribution	0	0	0	0
Contribution deficiency (excess)	\$0	\$0	\$0	\$0
District's covered payroll	\$9,342,693	\$9,301,686	\$9,538,343	\$9,766,486
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

Source: District Treasurer's Office and State Teachers Retirement System

School Employees Retirement System

	2016	2017	2018	2019
Contractually required contribution	\$49,527	\$54,435	\$67,471	\$75,055
Contributions in relation to the contractually required contribution	49,527	54,435	67,471	75,055
Contribution deficiency (excess)	\$0	\$0	\$0	\$0
District's covered payroll	\$3,024,821	\$3,183,679	\$3,166,104	\$3,241,148
Contributions as a percentage of covered payroll	1.64%	1.71%	2.13%	2.32%

Source: District Treasurer's Office and School Employees Retirement System

Notes: The District implemented GASB Statement 75 in 2018.

See accompanying notes to the required supplementary information

FRANKLIN LOCAL SCHOOL DISTRICT, OHIO

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
\$0	\$0	\$0	\$0	\$0	\$0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$10,175,457	\$10,847,629	\$11,918,843	\$12,172,257	\$12,298,736	\$12,660,993
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
\$54,123	\$70,499	\$71,558	\$73,483	\$76,853	\$85,994
<u>54,123</u>	<u>70,499</u>	<u>71,558</u>	<u>73,483</u>	<u>76,853</u>	<u>85,994</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$3,279,071	\$3,790,536	\$4,188,936	\$4,571,057	\$4,453,650	\$4,965,707
1.65%	1.86%	1.71%	1.61%	1.73%	1.73%

FRANKLIN LOCAL CITY SCHOOL DISTRICT, OHIO

Notes to the Required Supplementary Information For the Fiscal Year Ended June 30, 2025

NET PENSION LIABILITY

SERS

Changes in benefit terms – For fiscal years 2019 through 2025, there were no changes to benefit terms.

For fiscal year 2018, the following were the most significant changes in benefits that affected the total pension liability since the prior measurement date:

- The cost-of-living adjustment was changed from a fixed 3.00 percent to a cost-of-living adjustment that is indexed to CPI-W not greater than 2.5 percent with a floor of 0 percent beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendars 2018, 2019, and 2020.

There were no changes to benefit terms for fiscal years 2016 through 2017.

Changes in assumptions

For fiscal years 2024 and 2025 there were no changes in assumptions.

For fiscal year 2023, the following changes were made to the actuarial assumptions as identified. These new assumptions compared with those used in fiscal year 2022 and prior are presented below:

- Cost of living adjustment was increased from 2.00% to 2.50%.

For fiscal year 2022, the following changes were made to the actuarial assumptions as identified. These new assumptions compared with those used in fiscal year 2021 and prior are presented below:

- Assumed rate of inflation was reduced from 3.00% to 2.40%
- Payroll growth assumption was reduced from 3.50% to 1.75%
- Assumed real wage growth was increased from 0.50% to 0.85%
- Cost-of-Living-Adjustments was reduced from 2.50% to 2.00%
- The discount rate was reduced from 7.50% to 7.00%
- Rates of withdrawal, compensation, participation, spouse coverage assumption, retirement and disability were updated to reflect recent experience.
- Mortality among active members was updated to the following:
 - PUB-2010 General Amount Weighted Below Median Employee mortality table. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.
- Mortality among service retired members was updated to the following:
 - PUB-2010 General Employee Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.
- Mortality among contingent survivors was updated to the following:
 - PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5% for males and adjusted 122.5% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

FRANKLIN LOCAL CITY SCHOOL DISTRICT, OHIO

Notes to the Required Supplementary Information For the Fiscal Year Ended June 30, 2025

NET PENSION LIABILITY (Continued)

SERS (Continued)

- Mortality among disabled members was updated to the following:
 - PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

For fiscal years 2021, 2020, and 2019 there were no changes in assumptions.

For fiscal year 2018, the following changes were made to the actuarial assumptions as identified. These new assumptions compared with those used in fiscal year 2017 and prior are presented below:

- Assumed rate of inflation was reduced from 3.25% to 3.00%
- Payroll Growth Assumption was reduced from 4.00% to 3.50%
- Assumed real wage growth was reduced from 0.75% to 0.50%
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- Mortality among active members was updated to the following:
 - RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. The above rates represent the base rates used.
- Mortality among service retired members, and beneficiaries was updated to the following:
 - RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates.
- Mortality among disable member was updated to the following:
 - RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

There were no changes in assumptions for fiscal years 2016 through 2017.

FRANKLIN LOCAL CITY SCHOOL DISTRICT, OHIO

Notes to the Required Supplementary Information For the Fiscal Year Ended June 30, 2025

NET PENSION LIABILITY (Continued)

STRS

Changes in benefit terms – For fiscal years 2025 through 2019, there were no changes to benefit terms. For fiscal year 2018, the cost of living adjustment (COLA) was reduced to 0 percent effective July 1, 2017. There were no changes to benefit terms for fiscal years 2016 through 2017.

Changes in assumptions

For fiscal year 2023, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- Total salary increase rates were lowered to a range of 2.5 percent to 8.5 percent.
- Updated the health and disability mortality assumptions to the Pub-2010 Teachers Healthy Annuitant Mortality Table projected forward generationally using mortality improvement scale MP-2020.
- Demographic assumptions were modified to reflect the June 30, 2021 experience study.

In fiscal year 2022 the investment return was lowered from 7.45 percent to 7.00 percent. For fiscal year 2021, 2020, and 2019, there were no changes in assumptions. For fiscal year 2018, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- Inflation assumptions were lowered from 2.75 percent to 2.50 percent.
- Investment return assumptions were lowered from 7.75 percent to 7.45 percent.
- Total salary increases rates were lowered by decreasing merit component of the individual salary increases, as well as by 0.25 percent due to lower inflation.
- Payroll growth assumptions were lowered to 3.00 percent.
- Updated the health and disability mortality assumption to the RP-2014 mortality tables with generational improvement scale MP-2016.
- Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

There were no changes in assumptions for fiscal years 2016 to 2017, and 2024 to 2025.

NET OPEB LIABILITY (ASSET)

SERS

Changes in benefit terms – There were no changes to benefit terms for fiscal years 2025 - 2018.

Changes in assumptions

For fiscal year 2025, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

The discount rate was changed from 4.27% to 4.88%

FRANKLIN LOCAL CITY SCHOOL DISTRICT, OHIO

Notes to the Required Supplementary Information For the Fiscal Year Ended June 30, 2025

NET OPEB LIABILITY (ASSET)

SERS (Continued)

For fiscal year 2024, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The discount rate was changed from 4.08% to 4.27%

For fiscal year 2023, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The discount rate was changed from 2.27% to 4.08%

For fiscal year 2022, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The discount rate was changed from 2.63% to 2.27%
- The investment rate of return was reduced from 7.50% to 7.00%
- Assumed rate of inflation was reduced from 3.00% to 2.40%
- Payroll Growth Assumption was reduced from 3.50% to 1.75%
- Assumed real wage growth was increased from 0.50% to 0.85%
- Rates of withdrawal, retirement and disability were updated to reflect recent experience
- Rate of health care participation for future retirees and spouses was updated to reflect recent experience
- Mortality among active members was updated to the following:
 - PUB-2010 General Amount Weighted Below Median Employee mortality table.
- Mortality among service retired members was updated to the following:
 - 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% for males and set forward 2 years and adjusted 81.35% for females.
- Mortality among beneficiaries was updated to the following:
 - PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5% for males and adjusted 122.5% for females.

FRANKLIN LOCAL CITY SCHOOL DISTRICT, OHIO

Notes to the Required Supplementary Information For the Fiscal Year Ended June 30, 2025

NET OPEB LIABILITY (ASSET) (Continued)

SERS (Continued)

- Mortality among disabled member was updated to the following:
 - PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females.
- Mortality rates are projected using a fully generational projection with Scale MP-2020.

For fiscal year 2021, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The municipal bond index rate decreased from 3.13 percent to 2.45 percent.
- The single equivalent interest rate, net of plan investment expense, including price inflation decreased from 3.22 percent to 2.63 percent.

For fiscal year 2020, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The municipal bond index rate decreased from 3.62 percent to 3.13 percent.
- The single equivalent interest rate, net of plan investment expense, including price inflation decreased from 3.70 percent to 3.22 percent.
- The medical trend assumption rate changed as follows:
 - Medicare – 2019 – 5.375 to 4.75 percent, 2020 – 5.25 to 4.75 percent
 - Pre-Medicare – 2019 – 7.25 to 4.75 percent, 2020 – 7.00 to 4.75

For fiscal year 2019, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The discount rate was changed from 3.63 percent to 3.70 percent.
- The municipal bond index rate increased from 3.56 percent to 3.62 percent.
- The single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63 percent to 3.70 percent.
- The medical trend assumption rate changed as follows:
 - Medicare – 2018 – 5.50 to 5.00 percent, 2019 – 5.375 to 4.75 percent
 - Pre-Medicare – 2018 – 7.50 to 5.00 percent, 2019 – 7.25 to 4.75

For fiscal year 2018, the following was the most significant change of assumptions that affected the total OPEB liability since the prior measurement date:

- The discount rate was increased from 2.98 percent to 3.63 percent.

FRANKLIN LOCAL CITY SCHOOL DISTRICT, OHIO

Notes to the Required Supplementary Information For the Fiscal Year Ended June 30, 2025

NET OPEB LIABILITY (ASSET) (Continued)

SERS (Continued)

For fiscal year 2017, the following was the most significant change of assumptions that affected the total OPEB liability since the prior measurement date:

- Assumed rate of inflation was reduced from 3.25% to 3.00%
- Payroll Growth Assumption was reduced from 4.00% to 3.50%
- Assumed real wage growth was reduced from 0.75% to 0.50%
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- Mortality among active members was updated to the following:
 - RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females.
- Mortality among service retired members, and beneficiaries was updated to the following:
 - RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates.
- Mortality among disabled members was updated to the following:
 - RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

STRS

Changes in benefit terms

There were no changes in benefit terms for fiscal year 2025.

For fiscal year 2024 the following was the most significant change in benefit terms that affected the total OPEB liability since the prior measurement date:

- The non-Medicare subsidy percentage was increased from 2.2% to 2.5%.

For fiscal year 2023 the following was the most significant change in benefit terms that affected the total OPEB liability since the prior measurement date:

- Salary increase rates were updated based on the actuarial experience study for the period July 1, 2015 through June 30, 2021 and were changed from age based to service based.

For fiscal year 2022 the following was the most significant change in benefit terms that affected the total OPEB liability since the prior measurement date:

- The non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055% to 2.100%. 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 CY2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

FRANKLIN LOCAL CITY SCHOOL DISTRICT, OHIO

Notes to the Required Supplementary Information For the Fiscal Year Ended June 30, 2025

NET OPEB LIABILITY (ASSET) (Continued)

STRS (Continued)

For fiscal year 2021 the following was the most significant change in benefit terms that affected the total OPEB liability since the prior measurement date:

- The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984% to 2.055% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

For fiscal year 2020, the following was the most significant change in benefit terms that affected the total OPEB liability since the prior measurement date:

- The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944% to 1.984% 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% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

For fiscal year 2019, the following was the most significant change in benefit terms that affected the total OPEB liability since the prior measurement date:

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

For fiscal year 2018, STRS has the following changes in benefit terms since the previous measurement date:

- The HealthSpan HMO plans were eliminated.
- The subsidy multiplier for non-Medicare benefit recipients was reduced to 1.9 percent per year of service from 2.1 percent.
- Medicare Part B premium reimbursements were discontinued for survivors and beneficiaries who were age 65 by 2008 and either receiving a benefit or named as a beneficiary as of January 1, 2008.
- The remaining Medicare Part B premium reimbursements will be phased out over a three-year period.

There were no changes to benefit terms for fiscal year 2017.

FRANKLIN LOCAL CITY SCHOOL DISTRICT, OHIO

Notes to the Required Supplementary Information For the Fiscal Year Ended June 30, 2025

NET OPEB LIABILITY (ASSET) (Continued)

STRS (Continued)

Changes in assumptions

For fiscal year 2025 the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The health care trend assumption rate changed as follows:
 - Medical Medicare – from (10.94) percent initial, 4.14 percent ultimate, to (112.22) percent initial, 3.94 percent ultimate
 - Medical Pre-Medicare – from 7.50 percent initial, 4.14 percent ultimate to 7.50 percent initial, 3.94 percent ultimate
 - Prescription Drug Medicare – from 1.33 percent initial, 4.14 percent ultimate to (15.14) percent initial, 3.94 percent ultimate
 - Prescription Drug Pre-Medicare – from (11.95) percent, 4.14 percent ultimate, to 8.00 percent initial, 3.94 percent ultimate.

For fiscal year 2024 the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The health care trend assumption rate changed as follows:
 - Medical Medicare – from (68.78) percent initial, 3.94 percent ultimate, to (10.94) percent initial, 4.14 percent ultimate
 - Medical Pre-Medicare – from 7.50 percent initial, 3.94 percent ultimate to 7.50 percent initial, 4.14 percent ultimate
 - Prescription Drug Medicare – from (5.47) percent initial, 3.94 percent ultimate to 1.33 percent initial, 4.14 percent ultimate
 - Prescription Drug Pre-Medicare – from 9.00 percent, 3.94 percent ultimate, to (11.95) percent initial, 4.14 percent ultimate.

FRANKLIN LOCAL CITY SCHOOL DISTRICT, OHIO

Notes to the Required Supplementary Information For the Fiscal Year Ended June 30, 2025

NET OPEB LIABILITY (ASSET) (Continued)

STRS (Continued)

For fiscal year 2023 the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The health care trend assumption rate changed as follows:
 - Medical Medicare – from (16.18) percent initial, 4 percent ultimate, to (68.78) percent initial, 3.94 percent ultimate
 - Medical Pre-Medicare – from 5.00 percent initial, 4 percent ultimate to 7.50 percent initial, 3.94 percent ultimate
 - Prescription Drug Medicare – from 29.98 percent initial, 4 percent ultimate to (5.47) percent initial, 3.94 percent ultimate
 - Prescription Drug Pre-Medicare – from 6.50 percent, 4 percent ultimate, to 9.00 initial, 3.94 percent ultimate

Updated the health and disability mortality assumption to the PUB-2010 mortality tables with generational improvement scale MP-2020.

For fiscal year 2022 the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The health care trend assumption rate changed as follows:
 - Medical Medicare – from (6.69) percent to (16.18) percent initial, 4 percent ultimate
 - Prescription Drug Medicare – from 11.87 percent to 29.98 percent initial, 4 percent ultimate
- The investment return was lowered from 7.45 percent to 7.00 percent.

For fiscal year 2021 the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The health care trend assumption rate changed as follows:
 - Medical Medicare – from 4.93 percent to (6.69) percent initial, 4 percent ultimate
 - Medical Pre-Medicare – from 5.87 percent to 5.00 percent initial, 4 percent ultimate
 - Prescription Drug Medicare – from 9.62 percent to 11.87 percent initial, 4 percent ultimate
 - Prescription Drug Pre-Medicare – from 7.73 percent to 6.50 initial, 4 percent ultimate

FRANKLIN LOCAL CITY SCHOOL DISTRICT, OHIO

Notes to the Required Supplementary Information For the Fiscal Year Ended June 30, 2025

NET OPEB LIABILITY (ASSET) (Continued)

STRS (Continued)

For fiscal year 2020, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The health care trend assumption rate changed as follows:
 - Medical Medicare – from 6 percent to 4.93 percent initial, 4 percent ultimate
 - Medical Pre-Medicare – from 5 percent to 5.87 percent initial, 4 percent ultimate
 - Prescription Drug Medicare – from 8 percent to 9.62 percent initial, 4 percent ultimate
 - Prescription Drug Pre-Medicare – from -5.23 percent to 7.73 initial, 4 percent ultimate

For fiscal year 2019, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The discount rate increased from a 4.13 percent blended discount rate to 7.45 percent.
- The health care trend assumption rate changed from 6 to 11 percent initial, 4.5 percent ultimate to:
 - Medical Medicare – 6 percent initial, 4 percent ultimate
 - Medical Pre-Medicare – 5 percent initial, 4 percent ultimate
 - Prescription Drug Medicare – 8 percent initial, 4 percent ultimate
 - Prescription Drug Pre-Medicare – -5.23 percent initial, 4 percent ultimate

For fiscal year 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB 74.
- The long-term rate of return was reduced to 7.45 percent.
- Valuation-year per capita health costs were updated.
- The percentage of future retirees electing each option was updated based on current data.
- The assumed future trend rates were modified.
- Decrement rates including mortality, disability, retirement, and withdrawal were modified.
- The assumed percentage of future disabled retirees assumed to elect health coverage was decreased from 84 percent to 65 percent, and the assumed percentage of terminated vested participants assumed to elect health coverage at retirement was decreased from 47 percent to 30 percent.
- The assumed salary scale was modified.

There were no changes in assumptions for fiscal year 2017.

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**FRANKLIN LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2025**

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				
Passed Through Ohio Department of Education and Workforce				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution)				
School Breakfast Program	10.553	2024/2025	\$ 8,652	\$ 8,652
National School Lunch Program	10.555	2024/2025	77,868	77,868
Non-Cash Assistance Subtotal:			86,520	86,520
Cash Assistance				
School Breakfast Program	10.553	2024/2025	325,258	325,258
National School Lunch Program	10.555	2024/2025	638,594	638,594
Summer Food Service Program for Children	10.559	2024/2025	58,990	58,990
Cash Assistance Subtotal:			1,022,842	1,022,842
Total Child Nutrition Cluster			1,109,362	1,109,362
Total U.S. Department of Agriculture			1,109,362	1,109,362
U.S. DEPARTMENT OF EDUCATION				
Passed Through Ohio Department of Education and Workforce				
Title I Grants to Local Educational Agencies	84.010A	2024	109,751	72,011
	84.010A	2025	372,080	412,978
	84.010A	2025	137,608	145,992
Total Title I Grants to Local Educational Agencies			619,439	630,981
Special Education Cluster:				
Special Education - Grants to States				
	84.027A	2024	105,045	61,264
		2025	349,174	384,924
Total Special Education - Grants to States			454,219	446,188
Special Educational - Preschool Grants				
	84.173	2025	-	16,708
Total Special Education - Preschool Grants			-	16,708
Total Special Education Cluster			454,219	462,896
Improving Teacher Quality State Grants				
	84.367A	2024	1,500	-
		2025	-	73,751
Total Improving Teacher Quality State Grants			1,500	73,751
Student Support and Academic Enrichment State Grants				
	84.424A	2025	29,110	39,698
Total Student Support and Academic Enrichment State Grants			29,110	39,698
Total U.S. Department of Education			1,104,268	1,207,326
Total Receipts and Expenditures of Federal Awards			\$ 2,213,630	\$ 2,316,688

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, 2025**

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 District) under programs of the federal government for the year ended June 30, 2025. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at fair value. The 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



65 East State Street
Columbus, Ohio 43215
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800-282-0370

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

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

To the Board of Education:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Franklin Local School District, Muskingum County, Ohio (the District) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 10, 2026 wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings as item 2025-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings as item 2025-001.

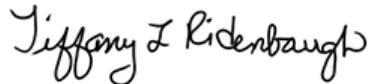
District's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying Schedule of Findings and Corrective Action Plan. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KEITH FABER
Ohio Auditor of State



Tiffany L. Ridenbaugh, CPA, CFE, CGFM
Chief Deputy Auditor

March 10, 2026



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

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

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

To the Board of Education:

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Franklin Local School District's, Muskingum County, Ohio (the District) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on Franklin Local District's major federal program for the year ended June 30, 2025. Franklin Local School District's major federal program is identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings.

In our opinion, Franklin Local School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2025.

Basis for Opinion on the Major Federal Program

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

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

Responsibilities of Management for Compliance

The 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 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 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 District's compliance with the requirements of the major federal program as a whole.

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the 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 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 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
Ohio Auditor of State



Tiffany L. Ridenbaugh, CPA, CFE, CGFM
Chief Deputy Auditor

March 10, 2026

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**FRANKLIN LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2025**

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)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list): • AL# 10.553, 10.555, 10.559 Child Nutrition Cluster	
(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**

Finding 2025-001

Significant Deficiency and Noncompliance

Ohio Rev. Code § 5705.10(H) states if a board of education of a school district disposes of real property under section 3313.41, 3313.411, or 3313.413 of the Revised Code, the proceeds received on or after September 29, 2013, from the sale shall be used for either of the following purposes:

- (1) The retirement of any debt that was incurred by the district with respect to that real property. Proceeds in excess of the funds necessary to retire that debt may be paid into the school district's capital and maintenance fund and used only to pay for the costs of nonoperating capital expenses related to technology infrastructure and equipment to be used for instruction and assessment.
- (2) Payment into a special fund for the construction or acquisition of permanent improvements.

**FRANKLIN LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2025**

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

Finding 2025-001 (Continued)

Significant Deficiency and Noncompliance (Continued)

The District sold the Franklin Community School Building under section 3313.41 of the Revised Code in the amount of \$265,618 and due to a lack of controls related to compliance and fund restrictions, recorded in proceeds in the General Fund. The District did not have outstanding debt relating to the property; therefore, the proceeds should have been recorded in the Permanent Improvement Fund.

Audit adjustments, to which management agreed, are reflected in the accompanying financial statements and the accounting records of the District.

The District should implement controls to help ensure all transactions are reviewed for any related compliance requirements and fund restrictions. This will help ensure the accuracy and reliability of financial information.

Officials' Response: The Board of Education has corrected the posting of revenue from the sale of the building. A transfer was completed from the General Fund to the Permanent Improvement Fund in June 2025, however the Board of Education understands that the revenue should have been posted directly to the Permanent Improvement Fund and will do so in the future. The Board of Education has no intention of selling real estate in the future and thus there should be no issues in the future.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None



FRANKLIN LOCAL SCHOOL DISTRICT

Administration Office

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www.franklinlocalschools.org

Kacey Cottrill, Superintendent • Rob Preston, Assistant Superintendent • Scott Paul, Treasurer

CORRECTIVE ACTION PLAN **2 CFR § 200.511(c)** **JUNE 30, 2025**

Finding Number:

2025-001

Planned Corrective Action:

The Board of Education has completed an adjusting entry in their accounting system to proper account for the revenue from the sale of the building. The Board of Education completed a transfer of funds from the General Fund to the Permanent Improvement Fund in June of 2025, however they understand that the revenue should have been posted directly to the Permanent Improvement Fund and will do so in the future.

Anticipated Completion Date:

02/19/2026

Responsible Contact Person:

Scott M. Paul, Treasurer

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 3/24/2026

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

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