



Dave Yost • Auditor of State



**FRANKLIN LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position .....	13
Statement of Activities.....	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	15
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds .....	17
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - General Fund.....	19
Statement of Fund Net Position - Internal Service Fund .....	20
Statement of Revenues, Expenses and Changes in Fund Net Position - Internal Service Fund .....	21
Statement of Cash Flows - Internal Service Fund .....	22
Statement of Net Position - Fiduciary Funds .....	23
Statement of Changes in Net Position - Private Purpose Trust Fund .....	24
Notes to the Basic Financial Statements .....	25
Schedule of Federal Awards Receipts and Expenditures.....	57
Notes to the Schedule of Federal Awards Receipts and Expenditures .....	58
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	59
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133. ....	61
Schedule of Findings - OMB Circular A-133 § .505.....	63

**This page intentionally left blank.**



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

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

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Franklin Local School District, Muskingum County, Ohio (the School District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

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

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Franklin Local School District, Muskingum County, Ohio, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

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

#### *Supplementary and Other Information*

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

The Schedule of Federal Award Receipts and Expenditures (the Schedule) also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2014, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

**Dave Yost**  
Auditor of State

Columbus, Ohio

October 7, 2014

**This page intentionally left blank.**

## **Franklin Local School District, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2014*

Unaudited

---

The discussion and analysis of the Franklin Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

Key financial highlights for fiscal year 2014 are as follows:

- Net position of governmental activities decreased \$475,369.
- General revenues accounted for \$19,563,113 in revenue or 77 percent of all revenues. Program specific revenues in the form of charges for services and sales, operating and capital grants, contributions, and interest accounted for \$5,870,303 or 23 percent of total revenues of \$25,433,416.
- The School District had \$25,908,785 in expenses related to governmental activities; only \$5,870,303 of these expenses were offset by program specific charges for services, operating and capital grants, contributions, and interest. General revenues of \$19,563,113 were not adequate to provide for these programs.

### **Using this Annual Financial Report**

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

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

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

##### *Statement of Net Position and Statement of Activities*

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2014?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**Franklin Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
Unaudited

---

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

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

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

***Fund Financial Statements***

The analysis of the School District's major fund begins on page 10. Fund financial reports provide detailed information about the School District's major fund. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's only major governmental fund is the General Fund.

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

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

***Fiduciary Funds*** Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. They are not reflected on the government-wide financial statements because the resources from those funds are not available to support the School District's programs. The accounting method used for fiduciary funds is much like that used for the proprietary funds.

**The School District as a Whole**

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2014 compared to 2013.

**Franklin Local School District, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2014*

Unaudited

Table 1  
Net Position

	Governmental Activities		
	2014	2013	Change
<b>Assets</b>			
Current and Other Assets	\$24,139,933	\$23,258,620	\$881,313
Capital Assets	33,814,375	35,036,424	(1,222,049)
Total Assets	57,954,308	58,295,044	(340,736)
<b>Deferred Outflows of Resources</b>			
Deferred Charge on Refunding	302,103	336,008	(33,905)
<b>Liabilities</b>			
Long-term Liabilities	6,745,684	7,264,548	(518,864)
Other Liabilities	3,550,966	3,761,766	(210,800)
Total Liabilities	10,296,650	11,026,314	(729,664)
<b>Deferred Inflows of Resources</b>			
Property Taxes not Levied to Finance Current Year Operations	5,538,626	4,708,234	830,392
<b>Net Position</b>			
Net Investment in Capital Assets	29,377,876	29,967,615	(589,739)
Restricted	3,199,672	3,354,997	(155,325)
Unrestricted	9,843,587	9,573,892	269,695
Total Net Position	\$42,421,135	\$42,896,504	(\$475,369)

Total assets of governmental activities decreased \$340,736. The majority of this decrease was due to decreases in capital assets in the amount of \$1,222,049 and property taxes receivable in the amount of \$198,421. Capital assets decreased as a result of current year depreciation exceeding additions. The decrease in property taxes receivable was due to a decrease in the amounts certified to be collected by the individual county auditors. This decrease was offset by an increase in cash and cash equivalents in the amount of \$626,035 and an increase in intergovernmental receivable in the amount of \$436,679.

The increase in cash and cash equivalents was primarily due to the School District monitoring the cash flow very closely. The increase in the intergovernmental receivable is mainly due to the School District receiving the Straight A Grant for the first time in fiscal year 2014.

Total liabilities decreased \$729,664. Most of this decrease is attributed to a decrease in contracts payable in the amount of \$129,540, a decrease in matured sick leave benefits payable in the amount of \$122,050, a decrease in intergovernmental payable in the amount of \$102,837, and a decrease in claims payable in the amount of \$73,750. The decrease in contracts payable was due to the completion of the football field turf project during fiscal year 2014. The decrease in matured sick leave benefits payable resulted from a decrease in the number of individuals who retired at the end of fiscal year 2014 compared to fiscal year 2013. These decreases were offset by an increase in accounts payable in the amount of \$264,599. Long-term liabilities decreased \$518,864 primarily due to the payment of debt.

**Franklin Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
 Unaudited

Deferred inflows of resources from property taxes increased \$830,392 due to the amounts that were certified by the county auditors.

Table 2 shows the changes in net position for the fiscal year ended June 30, 2014, and comparisons to fiscal year 2013.

Table 2  
 Changes in Net Position

	Governmental Activities		Change
	2014	2013	
<b>Revenues</b>			
Program Revenues:			
Charges for Services and Sales	\$1,700,276	\$1,909,842	(\$209,566)
Operating Grants, Contributions and Interest	4,128,727	4,072,031	56,696
Capital Grants and Contributions	41,300	129,500	(88,200)
Total Program Revenues	<u>5,870,303</u>	<u>6,111,373</u>	<u>(241,070)</u>
General Revenues:			
Property Taxes	6,661,962	7,771,722	(1,109,760)
Grants and Entitlements	12,716,384	12,004,484	711,900
Investment Earnings	170,100	183,078	(12,978)
Gain on Sale of Capital Assets	9,250	0	9,250
Revenue in Lieu of Taxes	1,318	1,613	(295)
Miscellaneous	4,099	46,332	(42,233)
Total General Revenues	<u>19,563,113</u>	<u>20,007,229</u>	<u>(444,116)</u>
Total Revenues	<u>\$25,433,416</u>	<u>\$26,118,602</u>	<u>(\$685,186)</u>

(continued)

**Franklin Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
 Unaudited

Table 2  
 Changes in Net Position  
 (continued)

	Governmental Activities		Change
	2014	2013	
<b>Program Expenses</b>			
Instruction:			
Regular	\$12,980,874	\$13,788,367	(\$807,493)
Special	2,672,733	2,565,648	107,085
Vocational	112,605	133,572	(20,967)
Intervention	299,651	225,604	74,047
Support Services:			
Pupils	812,535	781,359	31,176
Instructional Staff	949,106	749,543	199,563
Board of Education	72,748	109,326	(36,578)
Administration	1,507,491	1,543,589	(36,098)
Fiscal	487,938	462,427	25,511
Operation and Maintenance of Plant	2,020,173	2,299,062	(278,889)
Pupil Transportation	1,633,701	1,730,019	(96,318)
Central	42,314	186,508	(144,194)
Operation of Non-Instructional Services:			
Food Service Operations	1,351,491	1,344,185	7,306
Other Non-Instructional Services	3,594	2,762	832
Extracurricular Activities	736,001	640,811	95,190
Interest and Fiscal Charges	225,830	247,740	(21,910)
Total Expenses	<u>25,908,785</u>	<u>26,810,522</u>	<u>(901,737)</u>
Decrease in Net Position	(475,369)	(691,920)	216,551
Net Position Beginning of Year	<u>42,896,504</u>	<u>43,588,424</u>	<u>(691,920)</u>
Net Position End of Year	<u>\$42,421,135</u>	<u>\$42,896,504</u>	<u>(\$475,369)</u>

Net position decreased \$475,369. Revenues reflect a decrease of \$685,186 due mainly to a decrease in property taxes in the amount of \$1,109,760. The decrease in property taxes is due to the estimates that were provided by the County Auditor. This decrease was offset by an increase of \$711,900 in intergovernmental revenue.

The DeRolph III decision has not eliminated the dependence on property taxes. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. Inflation alone will not increase the amount of funds generated by a tax levy. Basically, the mills collected decreases as the property valuation increases thus generating about the same revenue. Property taxes made up approximately 26% of revenues for governmental activities for the Franklin Local School District in fiscal year 2014.

Instruction comprises approximately 62 percent of governmental program expenses.

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

**Franklin Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
 Unaudited

Table 3  
 Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2014	2014	2013	2013
<b>Program Expenses</b>				
Instruction:				
Regular	\$12,980,874	\$10,673,706	\$13,788,367	\$11,759,558
Special	2,672,733	904,076	2,565,648	1,519,572
Vocational	112,605	67,626	133,572	78,964
Intervention	299,651	294,638	225,604	216,442
Support Services:				
Pupils	812,535	812,535	781,359	781,359
Instructional Staff	949,106	707,393	749,543	453,337
Board of Education	72,748	72,748	109,326	109,326
Administration	1,507,491	1,485,875	1,543,589	1,512,555
Fiscal	487,938	487,938	462,427	455,193
Operation and Maintenance of Plant	2,020,173	2,020,173	2,299,062	2,215,874
Pupil Transportation	1,633,701	1,591,073	1,730,019	1,691,499
Central	42,314	35,114	186,508	179,308
Operation of Non-Instructional Services:				
Food Service Operations	1,351,491	197,643	1,344,185	200,698
Other	3,594	3,594	2,762	2,762
Extracurricular Activities	736,001	458,520	640,811	282,374
Interest and Fiscal Charges	225,830	225,830	247,740	247,740
<b>Total</b>	<b>\$25,908,785</b>	<b>\$20,038,482</b>	<b>\$26,810,522</b>	<b>\$21,706,561</b>

The dependence upon tax revenues and state subsidies for governmental activities is apparent. For fiscal year 2014, approximately 74 percent of instruction activities were supported through taxes and other general revenues.

**The School District's Major Fund**

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

**General Fund**

The General Fund had total revenues of \$20,433,939, expenditures of \$19,793,235, and net other financing sources (uses) in the amount of (\$899,871) which resulted in a decrease in fund balance of \$259,167. Total revenues decreased by \$693,257 and total expenditures decreased in the amount of \$439,215.

**Franklin Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
 Unaudited

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2014, the School District amended its General Fund appropriations. Support services pupils were increased \$10,000, advances out were increased \$200,000, and transfers out were increased \$790,000. The School District uses a building budget technique which is designed to control building budgets but provide flexibility for building management. For the General Fund, original and final budgeted revenue was \$21,015,426. Actual revenues were \$21,401,951, which was higher than the budgeted revenues. This was primarily due to receiving more monies through the state foundation, casino distributions, and Medicaid reimbursements than anticipated. The General Fund had final appropriations of \$20,777,521. This was \$573,926 above actual expenditures of \$20,203,595. This is due to the School District budgeting for contingencies and monitoring expenditures to keep them under budget. The School District's ending General Fund balance was \$6,715,091.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2014, the School District had \$33,814,375 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2014 balances compared to 2013.

Table 4  
 Capital Assets, Net of Depreciation

	Governmental Activities	
	2014	2013
Land	\$1,122,451	\$1,122,451
Construction in Progress	0	467,672
Land Improvements	2,858,223	2,143,945
Buildings and Improvements	28,301,031	29,759,873
Furniture and Equipment	864,620	937,439
Vehicles	668,050	605,044
Totals	\$33,814,375	\$35,036,424

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

***Debt***

At June 30, 2014, the School District had \$5,030,598 in bonds, notes, and capital leases outstanding. Due to the financial stability of the School District, being able to obtain municipal bond insurance, and participating in the Ohio School District Credit Enhancement Program, the School District received a Moody's bond rating of Aa2.

**Franklin Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
 Unaudited

Table 5  
 Outstanding Debt, at Fiscal Year End

	Governmental Activities	
	2014	2013
2012 School Building Construction Refunding Bonds	\$2,292,817	\$2,331,680
2004 School Building Construction Refunding Bonds	2,029,268	2,040,033
2004 School Building General Obligation Construction Bonds	267,742	354,246
1996 School Construction General Obligation Bonds	0	335,000
2000 Energy Conservation Notes	80,000	160,000
2013 General Obligation Notes	255,944	129,580
Capital Leases	104,827	148,189
Totals	<u>\$5,030,598</u>	<u>\$5,498,728</u>

See Notes 15 and 16 to the basic financial statements for more information on debt.

**Economic Factors**

Over the past 20 years, the School District has remained in a stable financial position and has increased its cash balance carry-over. Approximately 95 percent of the School District is in Muskingum County and the remaining 5 percent is in Perry County. Muskingum County completed a property valuation reappraisal in calendar year 2012. The 2012 reappraisal resulted in no significant changes in total housing/agricultural values; therefore, we are projecting no or minimal increases in future real property valuations. Also, House Bill 66 eliminated our personal property valuations; however, public utility personal property values have increased. A natural gas distribution pipeline and compressor station was constructed within the School District. This increased the assessed values in tax years 2010, 2011, and 2012, which were collected in calendar years 2011, 2012, and 2013. Public utility personal property values increased by approximately \$90,000,000, but are expected to decrease by approximately 3 percent in future years due to depreciation. The School District has also been experiencing decreases in enrollment and based on historical trends, enrollment is expected to continue to decrease in the future. Due to these possible future reductions in State funding, the School District consolidated classes and went from five to four school buildings for instruction for fiscal year 2012. Several teaching and non-teaching positions have been eliminated over the past six years. For fiscal years 2012 and 2013, the State of Ohio implemented a bridge school funding formula which was based on fiscal year 2011 funding. The funding formula for fiscal year 2014 and 2015 resulted in no additional funding for the School District. Due to both the Federal and State economy, there are concerns about future State education funding. The Board of Education and administration of the School District must maintain prudent financial management in order to preserve financial stability.

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

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

## Franklin Local School District, Ohio

### Statement of Net Position

June 30, 2014

	Primary Government Governmental Activities	Component Unit Franklin Local Community School
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$13,864,504	\$444,463
Cash in Segregated Accounts	1,176	0
Materials and Supplies Inventory	21,297	0
Inventory Held for Resale	14,404	0
Intergovernmental Receivable	1,308,879	11,539
Prepaid Items	93,895	2,839
Accounts Receivable	11,396	0
Due from Component Unit	86,954	0
Revenue in Lieu of Taxes Receivable	1,465	0
Property Taxes Receivable	8,735,963	0
Nondepreciable Capital Assets	1,122,451	0
Depreciable Capital Assets, Net	32,691,924	67,119
<i>Total Assets</i>	57,954,308	525,960
<b>Deferred Outflows of Resources</b>		
Deferred Charge on Refunding	302,103	0
<b>Liabilities</b>		
Accounts Payable	443,796	3,990
Accrued Wages and Benefits Payable	2,246,744	0
Matured Sick Leave Benefits Payable	116,525	0
Due to Primary Government	0	86,954
Vacation Benefits Payable	57,798	0
Intergovernmental Payable	392,863	369
Accrued Interest Payable	12,490	0
Claims Payable	280,750	0
Long-Term Liabilities:		
Due Within One Year	756,553	0
Due In More Than One Year	5,989,131	0
<i>Total Liabilities</i>	10,296,650	91,313
<b>Deferred Inflows of Resources</b>		
Property Taxes	5,538,626	0
<b>Net Position</b>		
Net Investment in Capital Assets	29,377,876	67,119
Restricted for:		
Capital Projects	463,315	0
Debt Service	1,114,603	0
Unclaimed Monies	528	0
Other Purposes	1,621,226	0
Unrestricted	9,843,587	367,528
<i>Total Net Position</i>	\$42,421,135	\$434,647

See accompanying notes to the basic financial statements



**Franklin Local School District, Ohio**

*Balance Sheet  
Governmental Funds  
June 30, 2014*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$7,135,156	\$4,904,760	\$12,039,916
Cash in Segregated Accounts	0	1,176	1,176
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	528	0	528
Receivables:			
Property Taxes	7,641,415	1,094,548	8,735,963
Accounts	10,540	856	11,396
Intergovernmental	54,675	1,254,204	1,308,879
Interfund	212,442	0	212,442
Revenue in Lieu of Taxes	1,273	192	1,465
Due from Component Unit	86,954	0	86,954
Prepaid Items	93,358	537	93,895
Materials and Supplies Inventory	16,233	5,064	21,297
Inventory Held for Resale	0	14,404	14,404
<i>Total Assets</i>	<u>\$15,252,574</u>	<u>\$7,275,741</u>	<u>\$22,528,315</u>
<b>Liabilities</b>			
Accounts Payable	\$43,359	\$400,437	\$443,796
Interfund Payable	0	212,442	212,442
Accrued Wages and Benefits Payable	2,013,037	233,707	2,246,744
Intergovernmental Payable	347,101	45,762	392,863
Matured Sick Leave Benefits Payable	116,525	0	116,525
<i>Total Liabilities</i>	<u>2,520,022</u>	<u>892,348</u>	<u>3,412,370</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	4,852,820	685,806	5,538,626
Unavailable Revenue	1,259,639	453,927	1,713,566
<i>Total Deferred Inflows of Resources</i>	<u>6,112,459</u>	<u>1,139,733</u>	<u>7,252,192</u>
<b>Fund Balances</b>			
Nonspendable	110,119	5,601	115,720
Restricted	0	2,875,917	2,875,917
Committed	1,165,000	1,260,025	2,425,025
Assigned	43,424	1,119,874	1,163,298
Unassigned	5,301,550	(17,757)	5,283,793
<i>Total Fund Balances</i>	<u>6,620,093</u>	<u>5,243,660</u>	<u>11,863,753</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$15,252,574</u>	<u>\$7,275,741</u>	<u>\$22,528,315</u>

See accompanying notes to the basic financial statements

**Franklin Local School District, Ohio**  
*Reconciliation of Total Governmental Fund Balances To*  
*Net Position of Governmental Activities*  
*June 30, 2014*

<b>Total Governmental Fund Balances</b>		<b>\$11,863,753</b>
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		33,814,375
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Delinquent Property Taxes	1,435,476	
Grants	267,177	
Revenue in Lieu of Taxes	1,465	
Student Fees	9,448	1,713,566
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal fund are included in governmental activities in the statement of net position.		1,543,310
Vacation Benefits Payable is recognized for earned vacation benefits that are not expected to be paid with expendable available financial resources and therefore are not reported in the funds.		(57,798)
Deferred Outflows of Resources represent deferred charges on refundings which do not provide current financial resources and therefore are not reported in the funds.		302,103
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Accrued Interest Payable	(12,490)	
School Improvement Bonds Payable	(4,589,827)	
Energy Conservation Notes Payable	(335,944)	
Capital Leases Payable	(104,827)	
Sick Leave Benefits Payable	(1,715,086)	(6,758,174)
<b>Net Position of Governmental Activities</b>		<b>\$42,421,135</b>

See accompanying notes to the basic financial statements

**Franklin Local School District, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2014*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Taxes	\$5,717,701	\$839,200	\$6,556,901
Intergovernmental	13,432,140	3,443,859	16,875,999
Investment Earnings	170,100	2,031	172,131
Charges for Services	0	354,583	354,583
Tuition and Fees	1,085,629	32,207	1,117,836
Gifts and Donations	1,382	46,245	47,627
Extracurricular Activities	21,614	208,423	230,037
Revenue in Lieu of Taxes	1,274	192	1,466
Miscellaneous	4,099	0	4,099
<i>Total Revenues</i>	<u>20,433,939</u>	<u>4,926,740</u>	<u>25,360,679</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	10,852,828	1,087,614	11,940,442
Special	1,388,356	1,064,903	2,453,259
Vocational	116,306	0	116,306
Intervention	285,494	6,787	292,281
Support Services:			
Pupils	752,414	0	752,414
Instructional Staff	475,614	296,218	771,832
Board of Education	72,748	0	72,748
Administration	1,448,114	21,931	1,470,045
Fiscal	460,849	20,643	481,492
Operation and Maintenance of Plant	1,838,806	9,716	1,848,522
Pupil Transportation	1,529,587	0	1,529,587
Central	53,737	7,200	60,937
Operation of Non-Instructional Services:			
Food Service Operations	1,847	1,170,358	1,172,205
Other Non-Instructional Services	0	3,594	3,594
Extracurricular Activities	393,182	210,204	603,386
Capital Outlay	74,331	883,393	957,724
Debt Service:			
Principal Retirement	43,362	609,056	652,418
Interest and Fiscal Charges	5,660	163,821	169,481
<i>Total Expenditures</i>	<u>19,793,235</u>	<u>5,555,438</u>	<u>25,348,673</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>640,704</u>	<u>(628,698)</u>	<u>12,006</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	0	909,121	909,121
Notes Issued	0	160,420	160,420
Proceeds from Sale of Capital Assets	9,250	0	9,250
Transfers Out	(909,121)	0	(909,121)
<i>Total Other Financing Sources (Uses)</i>	<u>(899,871)</u>	<u>1,069,541</u>	<u>169,670</u>
<i>Net Change in Fund Balance</i>	(259,167)	440,843	181,676
<i>Fund Balances Beginning of Year</i>	<u>6,879,260</u>	<u>4,802,817</u>	<u>11,682,077</u>
<i>Fund Balances End of Year</i>	<u>\$6,620,093</u>	<u>\$5,243,660</u>	<u>\$11,863,753</u>

See accompanying notes to the basic financial statements

**Franklin Local School District, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2014*

---



---

**Net Change in Fund Balances - Total Governmental Funds** \$181,676

*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 outlays:

Capital Asset Additions	900,882	
Depreciation Expense	<u>(2,122,931)</u>	(1,222,049)

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

Grants	(39,246)	
Student Fees	(2,180)	
Payment in Lieu of Taxes	(148)	
Delinquent Taxes	<u>105,061</u>	63,487

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 609,056

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

Capital Appreciation Bond Premium	17,627	
Accrued Interest Payable	1,424	
Amortization of Discount	(456)	
Amortization of Serial Premium	29,466	
Amortization of Deferred Amount on Refunding	(33,905)	
Annual Accretion	<u>(70,505)</u>	(56,349)

Long-term debt proceeds are other financing sources in the governmental funds, but the issuance increases long-term liabilities on the statement of net position:

Proceeds of General Obligation Notes		(160,420)
--------------------------------------	--	-----------

Repayment of capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement on net position. 43,362

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. 13,474

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

Vacation Benefits Payable	1,660	
Sick Leave Benefits Payable	<u>50,734</u>	<u>52,394</u>

*Change in Net Position of Governmental Activities* (\$475,369)

See accompanying notes to the basic financial statements

**Franklin Local School District, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balances - Budget and Actual (Budget Basis)*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2014*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Taxes	\$6,540,312	\$6,540,312	\$6,684,089	\$143,777
Intergovernmental	12,981,804	12,981,804	13,433,559	451,755
Investment Earnings	182,800	182,800	170,100	(12,700)
Tuition and Fees	1,275,510	1,275,510	1,085,629	(189,881)
Gifts and Donations	1,200	1,200	1,131	(69)
Extracurricular Activities	27,000	27,000	21,570	(5,430)
Payment in Lieu of Taxes	1,400	1,400	1,274	(126)
Miscellaneous	5,400	5,400	4,599	(801)
<i>Total Revenues</i>	<u>21,015,426</u>	<u>21,015,426</u>	<u>21,401,951</u>	<u>386,525</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	11,356,921	11,356,921	11,099,624	257,297
Special	1,308,246	1,308,246	1,451,092	(142,846)
Vocational	131,605	131,605	110,583	21,022
Intervention	206,433	206,433	267,167	(60,734)
Support Services:				
Pupils	714,381	724,381	755,932	(31,551)
Instructional Staff	378,819	378,819	551,246	(172,427)
Board of Education	112,083	112,083	83,133	28,950
Administration	1,471,862	1,471,862	1,452,279	19,583
Fiscal	440,407	440,407	459,195	(18,788)
Operation and Maintenance of Plant	1,926,715	1,926,715	1,917,674	9,041
Pupil Transportation	1,662,831	1,662,831	1,505,246	157,585
Central	100,180	100,180	56,610	43,570
Extracurricular Activities	392,779	392,779	384,095	8,684
Capital Outlay	564,259	564,259	109,719	454,540
<i>Total Expenditures</i>	<u>20,767,521</u>	<u>20,777,521</u>	<u>20,203,595</u>	<u>573,926</u>
<i>Excess of Revenues Over Expenditures</i>	<u>247,905</u>	<u>237,905</u>	<u>1,198,356</u>	<u>960,451</u>
<b>Other Financing Source (Uses)</b>				
Advances In	0	0	107,332	107,332
Refund of Prior Year Receipts	(2,000)	(2,000)	0	2,000
Advances Out	(109,479)	(309,479)	(212,442)	97,037
Transfers Out	(1,606,500)	(2,396,500)	(909,121)	1,487,379
<i>Total Other Financing Source (Uses)</i>	<u>(1,717,979)</u>	<u>(2,707,979)</u>	<u>(1,014,231)</u>	<u>1,693,748</u>
<i>Net Change in Fund Balance</i>	<u>(1,470,074)</u>	<u>(2,470,074)</u>	<u>184,125</u>	<u>2,654,199</u>
<i>Fund Balance Beginning of Year</i>	6,313,096	6,313,096	6,313,096	0
Prior Year Encumbrances Appropriated	217,870	217,870	217,870	0
<i>Fund Balance End of Year</i>	<u>\$5,060,892</u>	<u>\$4,060,892</u>	<u>\$6,715,091</u>	<u>\$2,654,199</u>

See accompanying notes to the basic financial statements

**Franklin Local School District, Ohio**

*Statement of Fund Net Position*

*Internal Service Fund*

*June 30, 2014*

---

---

	<u>Medical-Dental Insurance</u>
<b>Current Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$1,824,060
<b>Current Liabilities</b>	
Claims Payable	<u>280,750</u>
<b>Net Position</b>	
Unrestricted	<u><u>\$1,543,310</u></u>

See accompanying notes to the basic financial statements

**Franklin Local School District, Ohio**  
*Statement of Revenues,  
Expenses and Changes in Fund Net Position  
Internal Service Fund  
For the Fiscal Year Ended June 30, 2014*

	Medical-Dental Insurance
<b>Operating Revenues</b>	
Charges for Services	\$2,830,962
<b>Operating Expenses</b>	
Purchased Services	435,639
Claims	2,381,849
<i>Total Operating Expenses</i>	2,817,488
<i>Change in Net Position</i>	13,474
<i>Net Position Beginning of Year</i>	1,529,836
<i>Net Position End of Year</i>	\$1,543,310

See accompanying notes to the basic financial statements

**Franklin Local School District, Ohio**  
*Statement of Cash Flows*  
*Internal Service Fund*  
*For the Fiscal Year Ended June 30, 2014*

	Medical-Dental Insurance
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Transactions with Other Funds	\$2,830,962
Cash Payments to Suppliers for Services	(436,428)
Cash Payments for Claims	(2,455,599)
<i>Net Decrease in Cash and Cash Equivalents</i>	(61,065)
<i>Cash and Cash Equivalents Beginning of Year</i>	1,885,125
<i>Cash and Cash Equivalents End of Year</i>	\$1,824,060
<b>Reconciliation of Operating Income to Net Cash Used for Operating Activities</b>	
Operating Income	\$13,474
<b>Changes in Liabilities</b>	
Decrease in Accounts Payable	(789)
Decrease in Claims Payable	(73,750)
<i>Net Cash Used for Operating Activities</i>	(\$61,065)

See accompanying notes to the basic financial statements

**Franklin Local School District, Ohio**

*Statement of Net Position*

*Fiduciary Funds*

*June 30, 2014*

---

---

	Private Purpose Trust	
	Pletcher Scholarship	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$16,512	\$25,422
<i>Total Assets</i>	16,512	\$25,422
<b>Liabilities</b>		
Due to Students	0	\$25,422
<i>Total Liabilities</i>	0	\$25,422
<b>Net Position</b>		
Endowments	14,000	
Held in Trust for Scholarships	2,512	
Total Net Position	\$16,512	

See accompanying notes to the basic financial statements

**Franklin Local School District, Ohio**

*Statement of Changes in Net Position*

*Private Purpose Trust Fund*

*For the Fiscal Year Ended June 30, 2014*

---

---

	Private Purpose Trust <u>Pletcher Scholarship</u>
<b>Additions</b>	
Interest	\$209
<b>Deductions</b>	
Scholarships	<u>500</u>
<i>Change in Net Position</i>	(291)
<i>Net Position Beginning of Year</i>	<u>16,803</u>
<i>Net Position End of Year</i>	<u><u>\$16,512</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, 2014*

---

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

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

The School District was established in 1827 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 210 square miles. It is located in Muskingum and Perry Counties, and includes the Villages of Philo and Roseville, the Townships of Salt Creek, Blue Rock, Brush Creek, Clay, Harrison, Meigs, and Wayne, and a portion of Rich Hill Township. The School District is staffed by 96 classified employees, 149 certificated full-time teaching personnel, and 14 administrative employees who provide services to 2,132 students and other community members. The School District currently operates five instructional buildings (beginning in fiscal year 2012, the Roseville instructional building only housed students of the Franklin Local Community School and preschool classes), one administrative building, and one garage.

*Reporting Entity*

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization’s governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization’s resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefit to, or impose specific financial burdens on, the primary government. The School District has one component unit, the Franklin Local Community School.

The component unit column on the Statement of Net Position and the Statement of Activities identifies the financial data of the School District’s Component Unit, the Franklin Local Community School (FLCS). It is reported separately to emphasize that it is legally separate from the School District.

The FLCS is a legally separate entity created under Ohio Revised Code Chapter 3314 and incorporated under Chapter 1702. The FLCS is governed by a five member Board of Directors who are appointed from the public by the School District. These Board members are public officials, public employees, or community leaders demonstrating a professional interest in education or in other issues involving children, and desires to further the objectives of the FLCS. The Board of Directors are responsible for carrying out the provisions of the contract which include, but are not limited to, helping create, approve, and monitor the annual budget, develop policies to guide operations, secure funding, and maintain a commitment to vision, mission, and belief statements of FLCS and the children it serves.

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

---

The School District appoints the Board and is able to impose its will on the FLCS; therefore, due to the relationship with the School District, it would be misleading to exclude. The School District can suspend the FLCS' operations for any of the following reasons: 1) The FLCS' failure to meet student performance requirements stated in its contract with the School District, 2) The FLCS' failure to meet generally accepted standards of fiscal managements, 3) The FLCS' violation of any provisions of the contract with the School District or applicable state or federal law or 4) Other good cause. Separately issued financial statements can be obtained from the Franklin Local Community School, P.O. Box 428, Duncan Falls, Ohio 43734.

The School District participates in four jointly governed organizations and three 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, the Metropolitan Educational Council, Ohio School Boards Association Workers' Compensation Group Rating Program, Schools of Ohio Risk Sharing Authority (SORSA), and the Ohio School Boards Association Insurance Trust. These organizations are presented in Notes 18 and 19 to the basic financial statements.

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

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

**A. Basis of Presentation**

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

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

The statement of net position presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department, and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program.

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

---

Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

***Fund Financial Statements*** During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

***B. Fund Accounting***

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

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

***General Fund*** The General Fund accounts for and reports all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose, provided it is expended or transferred according to the general laws of Ohio.

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

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

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

***Fiduciary Fund Type*** Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs.

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

---

The School District's only trust fund is a private purpose trust which accounts for a college scholarship program for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for student activities.

***C. Measurement Focus***

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

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

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

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

***D. Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, in the recording of deferred outflows/inflows of resources, and in the presentation of expenses versus expenditures.

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes and grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 7).

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

---

Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis.

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

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, revenue in lieu of taxes, student fees, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

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

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

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

---

***E. Cash and Cash Equivalents***

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2014 amounted to \$170,100, which includes \$73,197 assigned from other School District funds.

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

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments. As of June 30, 2014, the School District had no investments.

***F. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2014, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

***G. Inventory***

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

***H. Capital Assets***

The School District's only capital assets are general capital assets resulting from expenditures in the governmental funds. These 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.

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

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

---

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	10-40 years
Buildings and Improvements	10-40 years
Furniture and Equipment	5-20 years
Vehicles	3-10 years

***I. Restricted Assets***

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

***J. Compensated Absences***

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

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

The entire compensated absences liability is reported on the government-wide financial statements.

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

***K. Accrued Liabilities and Long-term Obligations***

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

---

Bonds, long-term notes, and capital leases are recognized as a liability on the governmental fund financial statements when due.

***L. Internal Activity***

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

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

***M. Fund Balance***

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

**Nonspendable:** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.

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

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

**Assigned:** Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the School District Board of Education or a School District official delegated that authority by resolution or by State Statute.

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

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

---

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

***N. Bond Premiums and Discounts***

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

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

***O. Net Position***

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

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

***P. Deferred Charge on Refunding***

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

***Q. Operating Revenues and Expenses***

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

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

---

***R. 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.

***S. Estimates***

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

***T. Budgetary Process***

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

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect when final appropriations for the fiscal year were passed.

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

***U. Interfund Balances***

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

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

**Note 3 - Fund Balances**

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

Fund Balances	General	Other Governmental Funds	Total
<u>Nonspendable:</u>			
Prepays	\$93,358	\$537	\$93,895
Materials and Supplies Inventory	16,233	5,064	21,297
Unclaimed Monies	528	0	528
<i>Total Nonspendable</i>	<u>110,119</u>	<u>5,601</u>	<u>115,720</u>
<u>Restricted for:</u>			
Food Service Operations	0	91,022	91,022
Athletics and Music	0	54,282	54,282
Early Childhood Education	0	10,000	10,000
Special Needs Children	0	18,894	18,894
Community Involvement	0	120	120
Network Connectivity Subsidy	0	7,200	7,200
Miscellaneous Federal Grants	0	20,685	20,685
Straight A Network Grant	0	150,829	150,829
Debt Service Payments	0	1,026,958	1,026,958
Capital Improvements	0	1,495,927	1,495,927
<i>Total Restricted</i>	<u>0</u>	<u>2,875,917</u>	<u>2,875,917</u>
<u>Committed to:</u>			
Scholarships	0	26,929	26,929
After School Program	0	23,979	23,979
Capital Improvements	0	1,209,117	1,209,117
Severance Payments	1,135,000	0	1,135,000
Purchases on Order	30,000	0	30,000
<i>Total Committed</i>	<u>1,165,000</u>	<u>1,260,025</u>	<u>2,425,025</u>
<u>Assigned to:</u>			
Capital Improvements	0	1,119,874	1,119,874
Purchases on Order	43,424	0	43,424
<i>Total Assigned</i>	<u>43,424</u>	<u>1,119,874</u>	<u>1,163,298</u>
<u>Unassigned:</u>	<u>5,301,550</u>	<u>(17,757)</u>	<u>5,283,793</u>
<i>Total Fund Balances</i>	<u><u>\$6,620,093</u></u>	<u><u>\$5,243,660</u></u>	<u><u>\$11,863,753</u></u>

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

---

**Note 4 - Accountability**

The following fund had a deficit fund balance as of June 30, 2014:

<u>Special Revenue Funds:</u>	<u>Deficit Fund Balances</u>
Title I	(\$17,757)

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

**Note 5 - Budgetary Basis of Accounting**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget) rather than restricted, committed, or assigned fund balance (GAAP).
4. Prepaid items are reported on the balance sheet (GAAP) but not on the budgetary basis.
5. Advances in and advances out are operating transactions (budget basis) as opposed to Balance Sheet transactions (GAAP basis).
6. Unreported cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.

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

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

---

Net Change in Fund Balance

GAAP Basis	(\$259,167)
Net Adjustment for Revenue Accruals	993,451
Prepaid Items:	
Beginning of Fiscal Year	86,670
End of Fiscal Year	(93,358)
Unreported Cash:	
Beginning of Fiscal Year	325,532
End of Fiscal Year	(360,221)
Net Adjustment for Expenditure Accruals	(343,300)
Advances In	107,332
Advances Out	(212,442)
Adjustment for Encumbrances	<u>(60,372)</u>
Budget Basis	<u><u>\$184,125</u></u>

**Note 6 - Deposits and Investments**

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

Active deposits are public deposits necessary to meet current demands upon the School District treasury. Active monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

Interim monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, 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;
3. Written repurchase agreements in securities listed above;
4. Bonds and other obligations of the State of Ohio;

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

---

5. Time certificates of deposit or savings or deposit accounts including, but not limited to passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations describe in division (1) or (2) above;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

***Cash on Hand*** At year end, the School District had \$365,151 in undeposited cash on hand which is included in the financial statements of the School District as part of "Cash and Cash Equivalents."

***Deposits*** Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$6,820,216 of the School District's bank balance of \$14,050,713 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledge to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

***Investments*** As of June 30, 2014, the School District had no investments. All investments were closed before year end.

Interest Rate Risk

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

Credit Risk

The School District has no investment policy that addresses credit risk.

Concentration of Credit Risk

The School District places no limit on the amount it may invest in any one issuer.

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

---

**Note 7 - Property Taxes**

Property taxes are levied and assessed on a calendar year basis while the School District's fiscal year runs from July through June. First-half tax collections are received by the School District in the second half of the fiscal year. Second-half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2014 represents collections of calendar year 2013 taxes. Public utility real property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013, and are collected with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Muskingum and Perry Counties. The County Auditors periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 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, 2014, 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, 2014, was \$1,761,861 and is recognized as revenue: \$1,539,677 in the General Fund, \$28,631 in the Classroom Facilities Maintenance Special Revenue Fund, \$132,311 in the Debt Service Fund, and \$61,242 in the Permanent Improvement Capital Projects Fund. The amount available as an advance at June 30, 2013, was \$2,895,735 and is recognized as revenue: \$2,506,065 in the General Fund, \$42,171 in the Classroom Facilities Maintenance Special Revenue Fund, \$215,306 in the Debt Service Fund, and \$132,193 in the Permanent Improvement Capital Projects Fund.

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2014

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second- Half Collections		2014 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$185,834,770	62.72%	\$184,268,930	63.19%
Public Utility Personal	110,474,420	37.28%	107,326,340	36.81%
Total	\$296,309,190	100.00%	\$291,595,270	100.00%
Tax Rate per \$1,000 of assessed valuation	\$36.70		\$36.30	

**Note 8 - Receivables**

Receivables at June 30, 2014, consisted of property taxes, revenue in lieu of taxes, accounts (student fees and intergovernmental), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables except for property taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of principal items of intergovernmental receivables follows:

	Amounts
<b>Governmental Activities</b>	
School Lunch Reimbursement	\$14,414
Straight A Funds	580,566
Early Childhood Education	30,000
Idea Part B	165,906
Title I	237,012
Rural and Low Income	67,590
Race to the Top Grants	76,150
Title II-A	14,505
School Employees Retirement System Refund	50,918
Ohio Teacher Incentive Grant	67,209
Miscellaneous Reimbursements	4,609
Total	\$1,308,879

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

---

**Note 9 - Interfund Transfers and Balances**

Interfund balances at June 30, 2014, consist of the following individual fund receivables and payables:

	Interfund Payable	Interfund Receivable
Governmental Funds:		
General Fund	\$0	\$212,442
Other Nonmajor Governmental Funds:		
Straight A Funds	6,450	0
Race to the Top	70,982	0
IDEA-B, Special Education	23,904	0
Title I	58,493	0
Title II-A	42,613	0
Miscellaneous Federal Grants	10,000	0
Total Other Nonmajor Governmental Funds	212,442	0
Total All Funds	\$212,442	\$212,442

Interfund balance/transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorization; and to segregate and to return money to the fund from which it was originally provided once a project is completed.

The School District transferred \$909,121 from the General Fund to the Permanent Improvement Capital Projects Fund for the purchase of computer equipment, textbooks, and various construction projects for the School District.

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

**Note 10 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	<u>Balance</u> <u>6/30/2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/2014</u>
Capital Assets:				
Capital Assets not being depreciated:				
Land	\$1,122,451	\$0	\$0	\$1,122,451
Construction in Progress	467,672	391,314	(858,986)	0
Total Capital Assets not being Depreciated	<u>1,590,123</u>	<u>391,314</u>	<u>(858,986)</u>	<u>1,122,451</u>
Depreciable Capital Assets:				
Land Improvements	3,055,864	899,017	0	3,954,881
Buildings and Improvements	47,254,882	209,321	0	47,464,203
Furniture and Equipment	2,613,958	73,824	0	2,687,782
Vehicles	2,078,871	186,392	(168,180)	2,097,083
Total Capital Assets being Depreciated	<u>55,003,575</u>	<u>1,368,554</u>	<u>(168,180)</u>	<u>56,203,949</u>
Less Accumulated Depreciation				
Land Improvements	(911,919)	(184,739)	0	(1,096,658)
Buildings and Improvements	(17,495,009)	(1,668,163)	0	(19,163,172)
Furniture and Equipment	(1,676,519)	(146,643)	0	(1,823,162)
Vehicles	(1,473,827)	(123,386)	168,180	(1,429,033)
Total Accumulated Depreciation	<u>(21,557,274)</u>	<u>(2,122,931) *</u>	<u>168,180</u>	<u>(23,512,025)</u>
Total Capital Assets being Depreciated, Net	<u>33,446,301</u>	<u>(754,377)</u>	<u>0</u>	<u>32,691,924</u>
Capital Assets, Net	<u>\$35,036,424</u>	<u>(\$363,063)</u>	<u>(\$858,986)</u>	<u>\$33,814,375</u>

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

Instruction:	
Regular	\$1,001,824
Special	202,848
Vocational	7,224
Support Services:	
Pupils	50,573
Instructional Staff	242,389
Administration	57,045
Fiscal	4,638
Operation and Maintenance of Plant	142,572
Pupil Transportation	126,363
Food Service Operations	182,316
Extracurricular Activities	<u>105,139</u>
Total Depreciation Expense	<u>\$2,122,931</u>

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

---

**Note 11 - Risk Management**

***A. Property and Liability***

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, the School District contracted with Schools for Ohio Risk Sharing Authority for the insurance shown as follows.

Property and Inland Marine -replacement cost (No deductible)	\$81,307,277
Automobile Liability (No deductible)	15,000,000
Uninsured Motorists (No deductible)	1,000,000
General Liability	
Per occurrence	15,000,000
Total per year	17,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from coverage in fiscal year 2013.

***B. Worker's Compensation***

For fiscal year 2014, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control, and actuarial services to the GRP.

***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 School District's behalf. The medical coverage premiums are \$512 monthly for single and \$1,400 monthly for family. The dental coverage premiums are \$42.66 monthly for single and \$82.20 for family. The claims liability of \$280,750 reported in the internal service fund at June 30, 2014, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. The School District purchases an aggregate stop-loss coverage policy in the amount of \$3,665,511 annually. In addition, the School District has contracted for an excess stop-loss coverage with a maximum allowable covered expense per individual of \$100,000 annually.

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

---

Changes in the fund's claims liability amount in fiscal years 2013 and 2014 were:

	Beginning of Fiscal Year	Current Year Claims	Claim Payments	End of Fiscal Year
2013	\$356,667	\$2,494,667	\$2,496,834	\$354,500
2014	354,500	2,381,849	2,455,599	280,750

**Note 12 - Employee Benefits**

***A. Compensated Absences***

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 225 days for all personnel. Upon retirement, certified personnel receive \$100 per day of accrued, but unused sick leave credit to a maximum of 225 days. Classified personnel receive payment for forty-two percent of accrued, but unused sick leave credit up to a maximum of 225 days.

***B. Insurance***

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Assurant Employee Benefits.

***C. Retirement Incentive***

Upon reaching 30 years of retirement credit in the State Teachers Retirement System (STRS), teachers become eligible to receive a \$15,000 retirement bonus (incentive), providing they retire in their 30<sup>th</sup> year. The benefit will be paid in a lump sum payment in December following the effective fiscal year of retirement.

During fiscal year 2014, there were two employees who received the retirement incentives. As of June 30, 2014, there was no retirement incentive accrued liability.

**Note 13 - Defined Benefit Pension Plans**

***A. School Employees Retirement System***

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. 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 Chapter 3309 of the Ohio Revised Code.

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

---

SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers / Audit Resources.

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, 2014, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012, were \$357,161, \$370,870, and \$321,134, respectively. For fiscal year 2014, 69.19 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

***B. State Teachers Retirement System***

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor 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.

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

---

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The statutory maximum employee contribution rate will be increased one percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013, and 2012, were \$1,145,102, \$1,281,514, and \$1,195,541, respectively. For fiscal year 2014, 89.38 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2013 were \$25,396 made by the School District and \$18,140 made by the plan members.

***C. Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System / State Teachers Retirement System. As of June 30, 2014, four members of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.

**Note 14 - Postemployment Benefits**

***A. School Employees Retirement System***

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers / Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e).

For fiscal year 2014, 0.14 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2014, this amount was \$20,250. During fiscal year 2014, the School District paid \$48,718 in surcharge.

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

---

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012, were \$52,341, \$41,944, and \$41,482, respectively. The full amount has been contributed for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012, were \$20,915, \$20,565, and \$17,931, respectively. For fiscal year 2014, 69.48 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

***B. State Teachers Retirement System***

Plan Description – The School District participates in 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. Ohio law authorizes STRS to offer this plan. 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 can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS 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 Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012, were \$88,085, \$98,578, and \$91,965, respectively. For fiscal year 2014, 89.38 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

**Note 15 - Capitalized Leases**

In prior fiscal years, the School District had entered into a lease agreement for copier equipment. The lease meets the criteria of a capital lease which is defined as transferring benefits and risks of ownership to the lessee.

Actual principal payments during fiscal year 2014 totaled \$43,362 in the governmental funds. There was accumulated depreciation was \$120,799 as of June 30, 2014; therefore, leaving a remaining book value of \$98,834.

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2014

The agreements provide for minimum annual rental payments as follows:

Fiscal Year	Amount
2015	\$49,022
2016	49,022
2017	12,255
Total Minimum Lease Payments	110,299
Less: Amount Representing Interest	(5,472)
Present Value of Minimum Lease Payments	\$104,827

**Note 16 - Long-Term Obligations**

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

	Principal Outstanding 6/30/13	Additions	Reductions	Principal Outstanding 6/30/14	Amounts Due in One Year
2000 5.0-6.0% Energy Conservation Note	\$160,000	\$0	\$80,000	\$80,000	\$80,000
2013 2.95-3.70% General Obligation Notes	129,580	160,420	34,056	255,944	33,602
Total Notes	289,580	160,420	114,056	335,944	113,602
1996 3.8-5.7% School Building Construction Bonds	335,000	0	335,000	0	0
2004 School Building Construction Refunding Bonds:					
Serial Bonds - 2.0%-5.0%	1,690,000	0	35,000	1,655,000	370,000
Original Issue of Capital Appreciation Bonds - 21.603%	35,000	0	0	35,000	0
Accretion on Capital Appreciation Bonds	200,371	53,593	0	253,964	0
Premium on Capital Appreciation Bonds	47,714	0	17,627	30,087	0
Premium on Serial Bonds	66,948	0	11,731	55,217	0
2004 School Building Construction Bonds:					
Serial Bonds - 2.0%-5.0%	345,000	0	85,000	260,000	90,000
Premium on Serial Bonds	11,923	0	1,960	9,963	0
Discount on Term Bonds	(2,677)	0	(456)	(2,221)	0
2012 School Building Construction Refunding Bonds:					
Serial Bonds - 1.0%-2.0%	445,000	0	40,000	405,000	40,000
Term Bonds - 2.35%-3.0%	1,545,000	0	0	1,545,000	0
Premium on Bonds	290,523	0	15,775	274,748	0
Original Issue of Capital Appreciation Bonds - 28.74-32.98%	40,000	0	0	40,000	0
Accretion on Capital Appreciation Bonds	11,157	16,912	0	28,069	0
Total Bonds	5,060,959	70,505	541,637	4,589,827	500,000
Capital Leases Payable	148,189	0	43,362	104,827	45,312
Sick Leave Benefits Payable	1,765,820	103,887	154,621	1,715,086	97,639
Total Governmental Activities Long-Term Liabilities	\$7,264,548	\$334,812	\$853,676	\$6,745,684	\$756,553

Capital leases are paid from the General Fund. 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.

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

---

On August 1, 2000, the School District issued an unvoted general obligation energy conservation note for \$866,000 for installing energy conservation improvements for the School District under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The note was issued for a fifteen year period with final maturity during fiscal year 2015. The debt will be retired through reductions in energy consumption and cost savings attributed to the installation of the energy conservation improvements. The General Fund allocated tax revenues to the Bond Retirement Debt Service Fund to meet current fiscal year obligations.

Principal and interest requirements to retire the energy conservation note outstanding at June 30, 2014, are as follows:

Fiscal Year			
Ending June 30	Principal	Interest	Total
2015	\$80,000	\$4,800	\$84,800

On May 1, 2013, the School District was approved for general obligation notes for \$290,000 for installing a synthetic turf playing surface for athletic purposes for the School District under the authority of Ohio Revised Code section 133. The note was issued for an eight year period with final maturity during fiscal year 2021. The debt will be retired through five year pledge donations to be collected from residents of the School District. Through an agreement with the local bank where the proceeds are drawn, the School District made draws on the note as progress on the project was made. At fiscal year end, the entire note has been drawn. The following schedule shows the principal and interest requirements to retire the full amount of the debt:

Fiscal Year			
Ending June 30	Principal	Interest	Total
2015	\$33,602	\$7,698	\$41,300
2016	34,588	6,711	41,299
2017	35,641	5,658	41,299
2018	36,707	4,592	41,299
2019	37,523	4,383	41,906
2020-2021	77,883	4,499	82,382
Total	<u>\$255,944</u>	<u>\$33,541</u>	<u>\$289,485</u>

On October 1, 1996, the School District issued school building construction general obligation bonds for \$5,300,000 as a result of the School District being approved for a \$7,978,096 school facilities grant through the Ohio School Facilities Commission for the construction of building additions to the following buildings: Roseville Middle School, Roseville Primary School, Duncan Falls Primary, and Philo Intermediate. The School District issued the bonds to provide the required local match for the school facilities loans.

As a requirement of the loans, the School District was required to pass a 4.5 mill levy. 4.0 mills will be used to repay the debt issue which provides the matching funds required of the School District. The remaining .5 mill is used for facilities maintenance. These bonds were partially refunded in 2004. The remaining bonds were paid in this fiscal year.

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

---

On March 15, 2004, the School District issued \$5,837,000 in general obligation refunding bonds. The proceeds were used to advance refund \$2,740,000 of outstanding 1996 school building construction bonds and to retire the \$3,097,000 bond anticipation notes for the local share of the school facilities approved in fiscal year 2004. The refunded bond escrow agent paid bond holders during fiscal year 2012.

The refunding bond issue included serial and capital appreciation bonds in the amount of \$2,705,000 and \$35,000, respectively. The bonds are being retired from the Bond Retirement Debt Service Fund. The serial general obligation bonds were sold at a premium of \$175,967 and will be amortized over the term of the bonds.

The capital appreciation bonds were sold at a premium of \$211,530. The capital appreciation bonds will mature in fiscal year 2016. The maturity amount of the bonds is \$385,000. For the fiscal year 2014, \$53,593 was accreted for a total bond value of \$284,051.

The \$3,097,000 general obligation bonds that were issued on March 15, 2004, for school building construction include serial and term bonds in the amount of \$1,257,000 and \$1,840,000, respectively. The bonds are being retired from the Bond Retirement Debt Service Fund. The serial and term general obligation bonds were sold at a premium of \$115,145 and discount of \$11,500 and are amortized over the term of the bonds. The term bonds were advance refunded during fiscal year 2013.

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

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

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

On July 24, 2012, the School District issued refunding bonds of \$2,060,000 consisting of \$475,000 in serial bonds, \$40,000 in capital appreciation bonds, and \$1,545,000 in term bonds. The refunding bonds will mature on December 1, 2031. These bonds were issued to advance refund the 2004 School Building Construction Term Bonds. The advance refunded portion of the bonds, as well as the unamortized premium and discount of these advance refunded bonds, were removed from the financial statements of the School District. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$216,787.

This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being amortized to interest expense over the life of the refunded bonds using the straight-line method. The amortization of this difference for 2014 was \$11,213. The issuance resulted in a difference (savings) between the cash flows required to service the old debt and the cash flows required to service the new debt of \$247,710.

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

---

At the date of the refunding, \$2,289,117 (including underwriter fees and other issuance costs) was deposited in an irrevocable trust to provide for all future debt service payments on the refunded 2004 bonds. As of June 30, 2014, \$2,060,000 of the refunded bonds is still outstanding and the balance of the irrevocable trust account is \$2,105,712.

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

<u>Date</u>	<u>Principal Amount To Be Redeemed</u>
2022	\$135,000

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

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

<u>Date</u>	<u>Principal Amount To Be Redeemed</u>
2024	\$145,000

The remaining principal amount of such current interest term bonds (\$150,000) will be paid at stated maturity on December 1, 2025.

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

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

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

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

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

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

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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

Date	Principal Amount To Be Redeemed
2030	\$170,000

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

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

The capital appreciation bonds will mature in fiscal year 2022. The maturity amount of the bonds is \$460,000. For the fiscal year 2014, \$16,912 was accreted for a total bond value of \$68,069.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2014, were as follows:

Fiscal Year Ending June 30	Serial		Capital Appreciation		Term	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$500,000	\$126,566	\$0	\$0	\$0	\$0
2016	130,000	117,262	35,000	350,000	0	0
2017	535,000	103,917	0	0	0	0
2018	560,000	80,218	0	0	0	0
2019	595,000	54,905	0	0	0	0
2020-2024	0	0	40,000	420,000	275,000	160,600
2025-2029	0	0	0	0	765,000	122,464
2030-2032	0	0	0	0	505,000	22,629
	\$2,320,000	\$482,868	\$75,000	\$770,000	\$1,545,000	\$305,693

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

The overall debt margin of the School District as of June 30, 2014, was \$22,997,382 with an unvoted debt margin of \$290,737.

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

**Note 17 - Contractual Commitments**

As of June 30, 2014, the School District had a contractual purchase commitment as follows:

Contractor	Contract Amount	Amount Expended	Amount Remaining
Garland/DBS Inc.	\$142,730	\$0	\$142,730
S & S Aggregate Inc.	32,750	0	32,750
	<u>\$175,480</u>	<u>\$0</u>	<u>\$175,480</u>

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

General Fund	\$60,372
Nonmajor Governmental Funds	257,247
Agency Funds	398
Total	<u>\$318,017</u>

**Note 18 - Jointly Governed Organizations**

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

The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council). The Council was created as a separate regional council of governments pursuant to State Statutes. The Council operates under the direction of a Board comprised of a representative from each participating school district. The Board exercises total control over the operations of the Council including budgeting, appropriating, contracting, and designating management. Each participants control is limited to its representation on the Board. The Council provides information technology and internet access to member districts, as well as cooperative purchasing programs. During fiscal year 2014, the total amount paid to OME-RESA from the School District was \$57,855 for technology services and financial accounting services and educational management information. The Jefferson County Educational Service Center serves as the fiscal agent. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

***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 school districts. The Career and Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one member from each of the participating school district's boards. The board possesses its own budgeting and taxing authority.

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

---

The continued existence of the Career and Technology Center is not dependent on the School District's continued participation. To obtain financial information write to the Mid-East Career and Technology Center, Rick White, Treasurer, at 1965 Chandlersville Road, Zanesville, Ohio 43701.

***C. Coalition of Rural and Appalachian Schools***

The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of 136 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 35 Appalachian counties are divided; and three from Ohio University College of Education. The Coalition provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. During fiscal year 2014, the School District's membership fee was \$325. The financial information for the Coalition can be obtained from the Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

***D. Metropolitan Educational Council***

The School District participates in the Metropolitan Educational Council (MEC), a jointly governed organization. The organization is composed of 266 members which includes Educational Service Centers, joint vocational schools, educational service centers, and libraries covering 59 counties in Ohio. The MEC helps its members purchase services, insurances, supplies, and other items at a discounted rate. The Educational Service Center participates in the insurance purchasing pool. The governing board of MEC is composed of either the superintendent, a designated representative or a member of the board of education for each participating Educational Service Center in Franklin County (18 Educational Service Centers) and one representative from each county.

Each year, the participating school districts pay a membership fee to MEC to cover the costs of administering the program. The Council exercises total control over the operations of the Council including budgeting, appropriating, contracting, and designating management. School District payments to MEC for fiscal year 2014 were \$877 for membership. Financial information may be obtained from the Metropolitan Educational Council, Cindy Nye, who serves as interim fiscal officer, at 2100 Citygate Drive, Columbus, OH 43219.

**Note 19 - Insurance Purchasing Pools**

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

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

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

---

***B. Schools of Ohio Risk Sharing Authority***

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

***C. Ohio School Boards Association Insurance Trust***

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

**Note 20 - Related Party Transactions**

During fiscal year 2014, the School District provided educational management information systems coordinating services and other administrative services to the FLCS in the amount of \$704,743. These services were not totally paid to the School District by June 30, 2014; therefore, the statement of net position shows a receivable to the School District from the FLCS for \$86,954.

**Note 21 - Set-asides**

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

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

	Capital Improvements Reserve
Set-aside Reserve Balance as of June 30, 2013	\$0
Current Year Set-aside Requirement	361,033
Current Year Offsets	(1,775,751)
Qualifying Disbursements	(185,054)
Total	(\$1,599,772)
Set-aside Balance Carried Forward to Future Fiscal Years	\$0

**Franklin Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

---

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

**Note 22 - Contingencies**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2014.

**B. Litigation**

As of June 30, 2014, the School District is not a party to any lawsuits.

**Note 23 - Franklin Local Community School Component Unit**

**A. Basis of Presentation**

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

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

**B. Capital Assets**

FLCS' capital assets during fiscal year 2014 consisted of computers, computer equipment, a phone system, a refrigerator, a copier, and desks and cabinets. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market values as of the date received. FLCS maintains a capitalization threshold of five hundred dollars. All of FLCS' reported capital assets are depreciated using the straight-line method. Equipment is depreciated over six to ten years and furniture is depreciated over twenty years of useful life.

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance June 30, 2013	Additions	Retirements	Balance June 30, 2014
Computer Equipment	\$192,632	\$0	\$0	\$192,632
Furniture and Fixtures	13,885	0	0	13,885
Less Accumulated Depreciation	(117,277)	(22,121)	0	(139,398)
Capital Assets, Net	<u>\$89,240</u>	<u>(\$22,121)</u>	<u>\$0</u>	<u>\$67,119</u>

**FRANKLIN LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2014**

<b>FEDERAL GRANTOR</b> <i>Pass-Through Grantor</i> Program Title	Grant Year	Federal CFDA Number	Receipts	Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
<i>Passed through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
School Breakfast Program	2013/2014	10.553	\$ 5,927	\$ 5,927
National School Lunch Program	2013/2014	10.555	53,348	53,348
Non-Cash Assistance Subtotal			<u>59,275</u>	<u>59,275</u>
Cash Assistance:				
School Breakfast Program	2013/2014	10.553	218,656	218,656
National School Lunch Program	2013/2014	10.555	465,567	465,567
Summer Food Service Program for Children	2013/2014	10.559	34,485	34,485
Cash Assistance Subtotal			<u>718,708</u>	<u>718,708</u>
Total Child Nutrition Cluster			<u>777,983</u>	<u>777,983</u>
Total U.S. Department of Agriculture			777,983	777,983
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	2013	84.010	180,538	162,798
	2014		415,631	474,123
Total Title I Grants to Local Educational Agencies			<u>596,169</u>	<u>636,921</u>
Special Education - Grants to States	2013	84.027	93,757	78,234
	2014		323,093	346,997
Total Special Education - Grants to States			<u>416,850</u>	<u>425,231</u>
Rural Education	2013	84.358	31,035	31,035
	2014		5,250	10,000
Total Rural Education			<u>36,285</u>	<u>41,035</u>
Improving Teacher Quality State Grants	2013	84.367	20,458	19,901
	2014		87,432	93,043
Total Improving Teacher Quality State Grants			<u>107,890</u>	<u>112,944</u>
Teacher Incentive Fund Cluster				
Teacher Incentive Fund:				
Batelle Supplemental	2013	84.374	4,779	4,779
Ohio Teacher Incentive	2013		43,418	41,642
Ohio Teacher Incentive	2014		355,200	355,200
Total Teacher Incentive Fund			<u>403,397</u>	<u>401,621</u>
ARRA - Teacher Incentive Fund, Recovery Act:				
Teacher Incentive Fund	2012	84.385	24,659	41,820
Coaching & Literacy	2014		15,752	15,752
Assessment Literacy PD	2013		20,139	16,372
Assessment Literacy	2014		8,275	28,117
Total ARRA - Teacher Incentive Fund, Recovery Act			<u>68,825</u>	<u>102,061</u>
Total Teacher Incentive Fund Cluster			472,222	503,682
ARRA - Race-to-the-Top Incentive Grants, Recovery Act:				
Race to the Top	2013	84.395	73,510	23,206
Ohio Appalachian Collaborative (OAC)	2013		25,207	21,288
Resident Educator	2014		1,750	1,750
Advanced Placement	2013		1,740	1,740
Race to the Top	2014		11,422	32,276
Ohio Appalachian Collaborative	2014		47,327	83,423
Mini Grant - Value Added Assessment	2013		1,828	1,828
Ohio Appalachian Collaborative (OAC) Additional	2014		28,063	42,095
Total ARRA - Race-to-the-Top Incentive Grants, Recovery Act			<u>190,847</u>	<u>207,606</u>
Total U.S. Department of Education			<u>1,820,263</u>	<u>1,927,419</u>
<b>Total Federal Awards Receipts and Expenditures</b>			<b><u>\$ 2,598,246</u></b>	<b><u>\$ 2,705,402</u></b>

*The accompanying Notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this Schedule.*

**FRANKLIN LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2014**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the School District's federal award programs receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

**NOTE B – CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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



# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Franklin Local School District, Muskingum County, Ohio (the School District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated October 7, 2014.

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

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

October 7, 2014



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

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

We have audited the Franklin Local School District's, Muskingum County, Ohio (the School District), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the School District's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the School District's major federal programs.

### ***Management's Responsibility***

The School District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

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

Our responsibility is to opine on the School District's compliance for each of the School District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major Federal Program***

In our opinion, the School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2014.

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

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

October 7, 2014

**FRANKLIN LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2014**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list): <ul style="list-style-type: none"> <li>• Title I Grants to Local Educational Agencies – CFDA 84.010</li> <li>• Special Education, Grants to States – CFDA 84.027</li> </ul>	
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None.

**This page intentionally left blank.**



# Dave Yost • Auditor of State

**FRANKLIN LOCAL SCHOOL DISTRICT**

**MUSKINGUM COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
OCTOBER 21, 2014**