

**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS  
(AUDITED)***

***FOR THE FISCAL YEAR ENDED  
JUNE 30, 2014***

**CHRISTINA LAUBACH, TREASURER**





# Dave Yost • Auditor of State

Board of Education  
Felicity-Franklin Local School District  
415 W. Washington Street  
Felicity, Ohio 45120

We have reviewed the *Independent Auditor's Report* of the Felicity-Franklin Local School District, Clermont County, prepared by Julian & Grube, Inc., for the audit period July 1, 2013 to June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Felicity-Franklin Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

December 29, 2014

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**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

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### Independent Auditor's Report

Felicity-Franklin Local School District  
Clermont County  
415 W. Washington Street  
Felicity, Ohio 45120

To the Board of Education:

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Felicity-Franklin Local School District, Clermont County, Ohio, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Felicity-Franklin Local 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 Felicity-Franklin Local 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 Felicity-Franklin Local 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, each major fund, and the aggregate remaining fund information of the Felicity-Franklin Local School District, Clermont County, Ohio, as of June 30, 2014, and the respective changes in financial position thereof for the fiscal 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* and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) - General Fund, 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 Felicity-Franklin Local School District's basic financial statements taken as a whole.

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

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this 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 November 24, 2014, on our consideration of the Felicity-Franklin Local 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 Felicity-Franklin Local School District's internal control over financial reporting and compliance.



Julian & Grube, Inc.  
November 24, 2014



## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

This discussion and analysis provides key information from management highlighting the overall financial performance of the Felicity - Franklin Local School District for the year ended June 30, 2014. This is meant to be an easily readable summary of the most important financial information regarding the accompanying financial statements. Please read it in conjunction with the School District's financial statements.

### Financial Highlights

Major financial highlights for fiscal year 2014 are listed below:

- ✓ The assets of the School District exceeded its liabilities and deferred inflows of resources at year-end by \$16.8 million. Of this amount, \$14.0 million is invested in capital assets, net of accumulated depreciation and related debt.
- ✓ In total, net position decreased by approximately \$407,000.
- ✓ The School District had \$11.9 million in expenses related to governmental activities; only \$1.9 million of these expenses were offset by program specific charges for services, grants or contributions. General revenue of \$9.6 million, made up primarily of property taxes and State Foundation payments, provided the majority of funding for these programs.
- ✓ The General Fund balance increased by \$368,300 from \$1,450,179 at June 30, 2013 to \$1,818,479 at June 30, 2014.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the School District's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the School District's assets, liabilities and deferred inflows of resources, with the difference between the three reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years (e.g. uncollected taxes and earned but unused vacation leave).

**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2014**  
**Unaudited**

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Both of the government-wide financial statements distinguish functions of the School District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the School District include instruction, support services, administration, operation and maintenance of plant, and extracurricular activities. The School District has no business-type activities.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School District can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for government activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between government funds and governmental activities.

The School District accounts for its activities using many individual funds. The most significant funds are reported in separate columns in the governmental fund financial statements. These statements provide detailed information about the individual major funds – unlike the government-wide financial statements, which report on the School District as a whole. Some funds are required to be established by State law. Also, the School District may also establish separate funds to show that it is meeting legal requirements for using grants or other money.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs.

**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT**  
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**Notes to the basic financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information.** In addition to basic financial statements and accompanying notes, this report also contains required supplementary information concerning the budget of the General Fund.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**A. Net position at year-end**

The following table presents a condensed summary of the School District's overall financial position at June 30, 2014 and 2013:

	<u><b>FY2014</b></u>	<u><b>FY2013</b></u>
Current and other assets	\$ 5,618,777	\$ 5,489,690
Capital assets	<u>16,169,840</u>	<u>17,050,147</u>
Total assets	<u>21,788,617</u>	<u>22,539,837</u>
Long-term liabilities outstanding	2,595,392	2,862,509
Other liabilities	<u>894,845</u>	<u>941,114</u>
Total liabilities	<u>3,490,237</u>	<u>3,803,623</u>
Deferred inflows of resources	<u>1,518,544</u>	<u>1,548,960</u>
Net position:		
Net investment in capital assets	13,973,262	14,635,790
Restricted:		
For other purposes	456,482	529,514
Debt service	857,358	877,997
Unrestricted	<u>1,492,734</u>	<u>1,143,953</u>
Total net position	<u>\$ 16,779,836</u>	<u>\$ 17,187,254</u>

At year-end, capital assets, net of accumulated depreciation and related debt used to acquire the assets comprised of 83% of total net position. These capital assets are used to provide services to the students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT**  
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Additionally, 8% of the School District's net position represents resources that are subject to external restriction on how they may be spent. The external restriction will not affect the availability of fund resources for future use. The remaining balance of \$1,492,734 may be used to meet the School District's ongoing obligations.

The School District experienced a decrease in total assets of approximately \$751,000. The majority of this decrease took place in capital assets due to current year depreciation

The School District also experienced a decrease in total liabilities of approximately \$313,000. The majority of the decrease was experienced in long-term liabilities, as the School District made its scheduled bond payments, including its first payment on the 2012 energy conservation improvement bonds.

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**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2014**  
**Unaudited**

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**B. Governmental Activities during fiscal year 2014**

The following table presents a condensed summary of the School District's activities during fiscal year 2014 and 2013 and the resulting change in net position:

	<u>FY2014</u>	<u>FY2013</u>
<b>Revenues:</b>		
Program revenues:		
Charges for services and sales	\$ 853,886	\$ 833,850
Operating grants and contributions	1,070,921	1,198,902
Total program revenues	<u>1,924,807</u>	<u>2,032,752</u>
General revenues:		
Property taxes	1,874,546	1,896,059
Grants and entitlements	7,554,491	6,971,321
Investment earnings	20,210	15,961
Miscellaneous	135,360	98,349
Total general revenues	<u>9,584,607</u>	<u>8,981,690</u>
<b>Total revenues</b>	<u>11,509,414</u>	<u>11,014,442</u>
<b>Expenses:</b>		
Instruction	7,560,671	7,500,913
Support services:		
Pupil	571,490	519,369
Instructional staff	263,294	252,291
Board of Education	14,668	16,533
Administration	770,784	645,292
Fiscal	333,760	333,267
Operation and maintenance of plant	948,985	804,215
Pupil transportation	641,352	642,552
Central	1,247	-
Extracurricular activities	173,180	179,395
Food services	511,182	517,903
Community services	3,730	-
Interest and fiscal charges	122,489	74,155
<b>Total expenses</b>	<u>11,916,832</u>	<u>11,485,885</u>
<b>Change in net position</b>	<u>\$ (407,418)</u>	<u>\$ (471,443)</u>

**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT**  
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Of the total governmental activities revenues of \$11,509,414, \$1,924,807 (17%) is from program revenue. This means that the government relies on general revenues to fund the majority of the cost of services provided to the citizens. Of those general revenues, \$1,874,546 (20%) comes from property tax levies and \$7,554,491 (79%) is from state funding. The School District's operations are reliant upon its property tax levy and the state's foundation program.

Total revenue grew by about 5% due in part to increases in school foundation funding with the recent passage of the State's biennial budget. Total expenses increased by about 4%, with administrative and operation and maintenance of plant experiencing the largest increases. Administrative expenses increased due to the hiring of a student services administrator. Operation and maintenance of plant expenses increased due to increased propane and electricity usage during the prolonged cold spell during the winter season.

***Governmental Activities***

The following table presents the total cost of each of the government's primary services, and the comparative net cost after deducting the revenues generated by each function. Approximately 16% of the cost of the general government programs was recouped in program revenues. Instruction costs were \$7,560,671 but program revenue contributed to fund 15% of those costs. Thus, general revenues of \$6,452,744 were used to support the remainder of the instruction costs.

<b>Governmental Activities</b>					
		<b>Total Cost of Services</b>	<b>Program Revenue</b>	<b>Revenues as a % of Total Costs</b>	<b>Net Cost of Services</b>
Instruction	\$	7,560,671	1,107,927	15%	6,452,744
Support services		3,545,580	258,977	7%	3,286,603
Non-instructional services		688,092	557,903	81%	130,189
Interest and fiscal charges		<u>122,489</u>	<u>-</u>	0%	<u>122,489</u>
<b>Total</b>	\$	<u>11,916,832</u>	<u>1,924,807</u>	<u>16%</u>	<u>9,992,025</u>

**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2014**  
**Unaudited**

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**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S INDIVIDUAL FUNDS**

**Governmental funds**

The School District has two major governmental funds: General Fund and Debt Service Fund. Assets of these two funds comprise \$5,104,806 (91%) of the total \$5,628,903 governmental funds' assets.

**General Fund.** Fund balance at June 30, 2014 was \$1,818,479 , with an unassigned fund balance of \$1,720,112, which represents 18% of expenditures for fiscal year 2014. The fund balance increased by \$368,300 which was an increase of \$222,589 from the prior fiscal year. Revenue growth (6.7%) outpaced expenditure growth (4%) primarily due to an increase in State-funded school foundation funding.

**Debt Service Fund.** The debt service fund is used to retire general obligation bond principal and interest. The fund balance at June 30, 2014 was \$898,901. This fund balance will be used to make future principal and interest payments.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The schedule comparing the School District's original and final budgets and actual results are included in the required supplementary information. For the General Fund, the actual results were within the final budget estimates. On the revenue side, the original budget was increased due to increased school foundation funding. On the expenditure side, budgeted expenditures increased from the original to the final budget, due to anticipated higher utility costs with the colder temperatures. However, the School District was able to come within \$286,913 under budget.

**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2014**  
**Unaudited**

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**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** At June 30, 2014, the School District had \$16,169,840 invested in a broad range of capital assets, including land, buildings, equipment and vehicles. See Note 5 to the financial statements for more detail.

**Capital Assets at Year-End  
(Net of Depreciation)**

		<u><b>FY2014</b></u>	<u><b>FY2013</b></u>
Land	\$	65,450	65,450
Land improvements		488,145	547,434
Buildings and improvements		15,238,343	15,968,026
Equipment and furniture		234,341	300,605
Vehicles		<u>143,561</u>	<u>168,632</u>
Total	\$	<u><u>16,169,840</u></u>	<u><u>17,050,147</u></u>

**Debt**

The School District paid the required scheduled principal payment of \$240,000 on its general obligation school improvement bonds during the fiscal year. The total general obligation bonds outstanding at year-end were \$2,069,998 with \$260,000 due within one year. The School District's general obligation bonds mature December 1, 2025.

See Note 10 to the financial statements.

**ECONOMIC FACTORS**

A challenge facing the School District is the future of state funds. On December 11, 2002, the Court found the state's school funding system unconstitutional. On June 30, 2013, Governor Kasich passed HB59 which aimed to re-align funding to school districts. Although our District's impact from HB59 was favorable, our federal funding is decreasing due to new spending mandates. In addition, we will continue to remain fiscally cautious as we have predicted a decrease in state funding over the previous year due to a decline in enrollment.



**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2014**  
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In 2009, the School District embraced its financial challenge of fiscal accountability with the implementation of several cost saving strategies. Some of these strategies included a reduction-in-force via attrition, a switch to a two-tiered bus route, a suspension of raises for all employees and a reduction in spending for supplies, textbook adoptions and capital equipment replacements. As employees retired or resigned, the School District continued to evaluate staffing to determine if a replacement was necessary. The School District also ensured that all staff replacements were cost effective, highly qualified, and highly recommended. All of these efforts were implemented to help the School District remain solvent as we continue to remain fiscally cautious and keep our eyes on the enrollment shift to home-schooling, community schools, and other district schools that reside closer to employment opportunities.

**REQUESTS FOR ADDITIONAL INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, 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 questions about this report or need additional financial information, contact the Treasurer's office at the Felicity - Franklin Local School District, 415 W. Washington Street, Felicity, Ohio 45120.

# FELICITY - FRANKLIN LOCAL SCHOOL DISTRICT

## Statement of Net Position

June 30, 2014

	<u>Governmental Activities</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents	\$ 3,511,253
Receivables:	
Taxes	1,869,288
Accounts	11,389
Intergovernmental	209,796
Supplies inventory	17,051
Nondepreciable capital assets	65,450
Depreciable capital assets, net	<u>16,104,390</u>
<b>Total assets</b>	<u>21,788,617</u>
<b>Liabilities:</b>	
Accounts payable	15,233
Accrued wages and benefits	726,615
Intergovernmental payable	149,056
Accrued interest payable	3,941
Noncurrent liabilities:	
Due within one year	342,021
Due within more than one year	<u>2,253,371</u>
<b>Total liabilities</b>	<u>3,490,237</u>
<b>Deferred Inflows of Resources:</b>	
Taxes levied for next fiscal year	<u>1,518,544</u>
<b>Net Position:</b>	
Net investment in capital assets	13,973,262
Restricted for:	
Other purposes	456,482
Debt service	857,358
Unrestricted	<u>1,492,734</u>
<b>Total net position</b>	<u><u>\$ 16,779,836</u></u>

See accompanying notes to the basic financial statements.

**FELICITY - FRANKLIN LOCAL SCHOOL DISTRICT**

Statement of Activities  
 Year Ended June 30, 2014

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
<b>Governmental Activities:</b>				
Instruction:				
Regular	\$ 5,102,363	\$ 604,837	\$ 99,976	\$ (4,397,550)
Special education	2,324,564	-	403,114	(1,921,450)
Other	133,744	-	-	(133,744)
Support services:				
Pupil	571,490	34,357	219,521	(317,612)
Instructional staff	263,294	-	-	(263,294)
Board of Education	14,668	-	-	(14,668)
Administration	770,784	-	-	(770,784)
Fiscal	333,760	-	-	(333,760)
Operation and maintenance of plant	948,985	-	-	(948,985)
Pupil transportation	641,352	1,264	3,835	(636,253)
Central	1,247	-	-	(1,247)
Non-instructional services:				
Extracurricular activities	173,180	56,704	-	(116,476)
Food service operations	511,182	156,724	340,745	(13,713)
Community services	3,730	-	3,730	-
Interest on long-term debt	122,489	-	-	(122,489)
<b>Total Governmental Activities</b>	<b>\$ 11,916,832</b>	<b>\$ 853,886</b>	<b>\$ 1,070,921</b>	<b>(9,992,025)</b>

**General Revenues:**

Property taxes, levied for general purposes	1,640,106
Property taxes, levied for debt services	204,293
Property taxes, levied for classroom maintenance	30,147
Grants and entitlements not restricted to specific programs	7,554,491
Investment earnings	20,210
Miscellaneous	135,360
<b>Total general revenues</b>	<b>9,584,607</b>
Change in net position	(407,418)
Net position beginning of year	17,187,254
<b>Net position end of year</b>	<b>\$ 16,779,836</b>

See accompanying notes to the basic financial statements.

## FELICITY - FRANKLIN LOCAL SCHOOL DISTRICT

Balance Sheet  
 Governmental Funds  
 June 30, 2014

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Equity in pooled cash and cash equivalents	\$ 2,273,791	\$ 865,701	\$ 371,761	\$ 3,511,253
Receivables:				
Taxes	1,627,032	211,342	30,914	1,869,288
Accounts	9,386	-	2,003	11,389
Intergovernmental	107,428	-	102,368	209,796
Materials and supplies inventory	-	-	17,051	17,051
Interfund receivable	<u>10,126</u>	<u>-</u>	<u>-</u>	<u>10,126</u>
<b>Total assets</b>	<u>4,027,763</u>	<u>1,077,043</u>	<u>524,097</u>	<u>5,628,903</u>
<b>Liabilities:</b>				
Accounts payable	12,613	-	2,620	15,233
Accrued wages and benefits	689,685	-	36,930	726,615
Intergovernmental payable	136,354	-	12,702	149,056
Interfund payable	<u>-</u>	<u>-</u>	<u>10,126</u>	<u>10,126</u>
<b>Total liabilities</b>	<u>838,652</u>	<u>-</u>	<u>62,378</u>	<u>901,030</u>
<b>Deferred Inflows of Resources:</b>				
Taxes levied for next fiscal year	1,321,394	171,840	25,310	1,518,544
Unavailable revenue	<u>49,238</u>	<u>6,302</u>	<u>73,622</u>	<u>129,162</u>
<b>Total deferred inflows of resources</b>	<u>1,370,632</u>	<u>178,142</u>	<u>98,932</u>	<u>1,647,706</u>
<b>Fund Balances:</b>				
Nonspendable	-	-	17,051	17,051
Restricted	-	898,901	365,809	1,264,710
Assigned	98,367	-	100	98,467
Unassigned	<u>1,720,112</u>	<u>-</u>	<u>(20,173)</u>	<u>1,699,939</u>
<b>Total fund balances</b>	<u>1,818,479</u>	<u>898,901</u>	<u>362,787</u>	<u>3,080,167</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<u>\$ 4,027,763</u>	<u>\$ 1,077,043</u>	<u>\$ 524,097</u>	<u>\$ 5,628,903</u>

See accompanying notes to the basic financial statements.

Reconciliation of Total Governmental Fund Balances to  
Net Position of Governmental Activities  
June 30, 2014

<b>Total Governmental Fund Balances</b>	<b>\$ 3,080,167</b>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	16,169,840
Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds.	129,162
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:	
General obligation bonds	2,069,998
Unamortized premiums	99,870
Accreted interest on capital appreciation bonds	43,904
Capital lease obligation	26,710
Compensated absences	354,910
Accrued interest payable	<u>3,941</u>
Total	<u>(2,599,333)</u>
 Net Position of Governmental Activities	 <u>\$ 16,779,836</u>

## FELICITY - FRANKLIN LOCAL SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2014

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 1,657,812	\$ 206,650	\$ 30,472	\$ 1,894,934
Tuition and fees	604,837	-	-	604,837
Interest	20,210	-	146	20,356
Charges for services	-	-	156,724	156,724
Intergovernmental	7,498,990	28,299	1,155,727	8,683,016
Other local revenues	140,549	-	87,136	227,685
<b>Total revenues</b>	<b>9,922,398</b>	<b>234,949</b>	<b>1,430,205</b>	<b>11,587,552</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	4,222,047	-	100,376	4,322,423
Special education	1,885,769	-	445,504	2,331,273
Other instruction	130,667	-	-	130,667
Support services:				
Pupil	347,460	-	220,280	567,740
Instructional staff	259,325	-	594	259,919
Board of Education	14,668	-	-	14,668
Administration	760,468	-	-	760,468
Fiscal	323,117	-	-	323,117
Operation and maintenance of plant	807,180	-	100,419	907,599
Pupil transportation	576,671	-	14,631	591,302
Central	1,247	-	-	1,247
Non-instructional services:				
Extracurricular activities	37,755	-	134,878	172,633
Food service operation	-	-	502,998	502,998
Community services	-	-	3,730	3,730
Capital outlay	13,399	-	-	13,399
Debt Service:				
Principal	63,342	200,000	-	263,342
Interest and fiscal charges	23,695	32,810	-	56,505
<b>Total expenditures</b>	<b>9,466,810</b>	<b>232,810</b>	<b>1,523,410</b>	<b>11,223,030</b>
Excess of revenues over (under) expenditures	455,588	2,139	(93,205)	364,522
<b>Other financing sources:</b>				
Transfers in	-	-	87,288	87,288
Transfers out	(87,288)	-	-	(87,288)
<b>Total other financing sources</b>	<b>(87,288)</b>	<b>-</b>	<b>87,288</b>	<b>-</b>
Net change in fund balance	368,300	2,139	(5,917)	364,522
Fund balance, beginning of year	1,450,179	896,762	368,704	2,715,645
Fund balance, end of year	<b>\$ 1,818,479</b>	<b>\$ 898,901</b>	<b>\$ 362,787</b>	<b>\$ 3,080,167</b>

See accompanying notes to the basic financial statements.

Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
Year Ended June 30, 2014

**Net Change in Fund Balances - Total Governmental Funds** \$ 364,522

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.

Depreciation expense (880,307)

Repayment of bond and lease principal is an expenditure in the governmental funds,  
but the repayment reduces long-term liabilities in the statement of net position. 263,342

In the statement of activities, interest is accrued on outstanding bonds, whereas  
in governmental funds, an interest expenditure is reported when due. 411

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  
in the governmental funds:

Compensated absences (10,853)  
Amortization of bond premiums 8,983  
Amortization of deferred charges (54,546)

Revenues in the statement of activities that do not provide current financial  
resources are not reported as revenues in the funds. (78,138)

Accretion on capital appreciation bonds is recorded each year as interest  
in the statement of activities. (20,832)

Change in Net Position of Governmental Activities \$ (407,418)

**FELICITY - FRANKLIN LOCAL SCHOOL DISTRICT**

Statement of Assets and Liabilities

Fiduciary Funds

June 30, 2014

	<u>Agency Funds</u>
<b>ASSETS</b>	
Equity in pooled cash and cash equivalents	\$ <u>29,502</u>
Total assets	<u><u>29,502</u></u>
<b>LIABILITIES</b>	
Due to student groups	<u>29,502</u>
Total liabilities	\$ <u><u>29,502</u></u>

See accompanying notes to the basic financial statements.



**FELICITY - FRANKLIN LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2014**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Felicity - Franklin Local School District (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. Reporting Entity**

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 to approximately 1,000 students and community members as authorized by state statute and/or federal guidelines. The School District was established in 1930 through the consolidation of existing land areas and school districts and serves an area of approximately 84 square miles located in Clermont County, and includes the Villages of Felicity and Chilo, all of Franklin Township and a portion of Washington Township.

The reporting entity is comprised of the primary government, which consists of all funds, departments, boards, and agencies that are not legally separate from 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. The School District has no component units.

The School District is associated with five organizations, three of which are defined as jointly governed organizations and two are insurance purchasing pools. These organizations include the Hamilton/Clermont Cooperative Association, the Hamilton Clermont Cooperative Association/Unified Purchasing Association, the U.S. Grant Joint Vocational School, the Ohio Association of School Business Officials Workers' Compensation Group Rating Program, and the Clermont County Health Trust. These organizations are presented in Notes 13 and 14 to the basic financial statements.

**FELICITY - FRANKLIN LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2014**

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**B. Basis of Presentation**

***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 financials activities of the primary government except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities. The School District has no business-type activities.

The government-wide statements are prepared using the economic resources measurement focus, which differs from the manner in which the governmental fund financial statements are prepared. Therefore, the governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, current liabilities and deferred inflows of resources are generally included on the balance sheet. Operating statements of these funds present sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

**FELICITY - FRANKLIN LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2014**

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**C. Fund Accounting**

The School District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are grouped into the categories governmental and fiduciary.

*Governmental funds* focus 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 less liabilities and deferred inflows of resources is reported as fund balance. The following are the School District's major governmental funds:

*General Fund* - The general fund is used to account for 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.

*Debt Service Fund* - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

*Fiduciary Funds* report on net position and changes in net position. The School District's fiduciary funds consist of agency funds used to account for student activities. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**D. Basis of Accounting**

Basis of accounting refers to when revenues and expenses/expenditures are recognized in the accounts and reported in the financial statements and relates to the timing of the measurements made. The modified accrual basis of accounting is used by the governmental funds. On a modified accrual basis, revenues are recorded when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end. Under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advance, tuition, student fees, and grants.

**FELICITY - FRANKLIN LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2014**

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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 except for unmatured principal and interest on general long-term debt as well as expenditures related to compensated absences which are recognized when due. Allocations of cost, such as depreciation, are not recognized in the governmental funds.

Government-wide financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

***Revenues - Exchange and Non-exchange transactions.*** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Non-exchange transactions, in which the School District receives value without directly giving value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes were levied.

Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the 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 non-exchange transactions must also be available before it can be recognized.

***Deferred Inflows of Resources.*** 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(s) and so 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. Receivables for property taxes represent amounts that are measurable as of June 30, 2014, but are intended to finance 2015 operations. These amounts have been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund financial statements and represents receivables that will not be collected within the available period (sixty days after fiscal year-end).

**FELICITY - FRANKLIN LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2014**

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**E. Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled in central bank accounts. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements. During fiscal year 2014, the School District's cash equivalents were limited to a money market fund and certificates of deposit. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings.

The Governmental Accounting Standards Board Statement No. 31 (GASB 31), "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", requires that investments be recorded at their fair value and that changes in the fair value be reported in the operating statement. At June 30, 2014, the fair value of investments approximates cost.

**F. Inventory**

Inventory is stated at cost and donated food is stated at entitlement value. Cost is determined on a first-in, first-out basis. Inventory consists of donated food, purchased food, and school supplies held for resale and are expensed when used.

**G. Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. The School District defines capital assets as those with an individual cost of more than \$5,000 and an estimated useful life in excess of one year. All capital assets are capitalized at cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at their estimated fair values as of the date received. 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.

When capital assets are purchased, they are capitalized and depreciated in the government-wide statements. Capital assets are reported as expenditures of the current period in the governmental fund financial statements. All reported capital assets except land and construction in progress are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Buildings	10 - 75 years
Land improvements	5 - 15 years
Building improvements	10 - 35 years
Equipment and furniture other than vehicles	5 - 20 years
Vehicles	5 - 20 years
Textbooks	5 - 10 years

**FELICITY - FRANKLIN LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2014**

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**H. 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 School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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 entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, a liability is recorded only for the portion of unpaid compensated absences that has matured, for example, as a result of employee resignations and retirements. There were no matured compensated absences as of year-end.

**I. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. Governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources with the exception of compensated absences as noted above.

**J. Interfund Transactions**

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

**K. Fund Balances**

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 the governmental funds. The classifications are as follows:

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

**FELICITY - FRANKLIN LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2014**

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

***Committed*** – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the 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 use in satisfying those contractual requirements. The School District did not have any committed fund balances at year end.

***Assigned*** – Amounts in the assigned fund balance classification are intended to be used by the School 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. The Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided those amounts have been lawfully appropriated.

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

The 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 amounts in any of the unrestricted fund balance classifications could be used.

**FELICITY - FRANKLIN LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2014**

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**L. Net Position**

Net position represents the difference between assets, liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**M. 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.

**2. DEPOSITS**

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the Treasury. Such 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 two 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 that 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.



**FELICITY - FRANKLIN LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2014**

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Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution. Interim monies are permitted to be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by the federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**FELICITY - FRANKLIN LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2014**

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The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and amended by GASB Statement No. 40 "Deposit and Investment Risk Disclosures":

*Custodial Credit Risk*

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a custodial credit risk policy. At year-end, \$2,327,386 of the School District's bank balance of \$3,918,386 was subject to custodial credit risk as it was covered by a 105% public depository pool, which was collateralized with securities held by the pledging financial institution trust department but not in the School District's name.

**3. PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the School District 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 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 year 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 the prior January 1, 2013, the lien date. Assessed values for 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 during calendar year 2014 represent collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013 and are collected in calendar year 2014 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Clermont County. The County Auditor 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 represents delinquent taxes outstanding and real property and public utility taxes that became measurable as of June 30, 2014. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred inflows of resources for that portion not intended to finance current operations.

**FELICITY - FRANKLIN LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2014**

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

	2013 Second- Half Collections		2014 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$ 67,524,080	85.73%	\$ 67,703,430	86.87%
Public Utility	11,243,530	14.27%	10,230,750	13.13%
Total Assessed Value	<u>\$ 78,767,610</u>	100.00%	<u>\$ 77,934,180</u>	100.00%
Tax rate per \$1,000 of assessed valuation		\$31.60		\$31.60

**4. INTERFUND TRANSACTIONS**

Interfund transactions at June 30, 2014 consisted of the following interfund receivables/payables and transfers in/out:

	Interfund		Transfers	
	Receivables	Payables	In	Out
General Fund	\$ 10,126	\$ -	\$ -	\$ 87,288
Other Governmental Funds	-	10,126	87,288	-
	<u>\$ 10,126</u>	<u>\$ 10,126</u>	<u>\$ 87,288</u>	<u>\$ 87,288</u>

The interfund loans were made to provide operating capital. Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, or (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**FELICITY - FRANKLIN LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2014**

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**5. CAPITAL ASSETS**

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

	Balance 7/1/13	Additions	Disposals	Balance 6/30/14
<b><i>Governmental Activities</i></b>				
<b>Nondepreciable:</b>				
Land	\$ 65,450	\$ -	\$ -	\$ 65,450
Subtotal	<u>65,450</u>	<u>-</u>	<u>-</u>	<u>65,450</u>
<b>Depreciable:</b>				
Land improvements	1,185,781	-	-	1,185,781
Buildings and improvements	25,087,529	-	-	25,087,529
Equipment and furniture	942,369	-	-	942,369
Vehicles	862,342	-	-	862,342
Textbooks	499,045	-	-	499,045
Subtotal	<u>28,577,066</u>	<u>-</u>	<u>-</u>	<u>28,577,066</u>
Totals at historical cost	<u>28,642,516</u>	<u>-</u>	<u>-</u>	<u>28,642,516</u>
Less accumulated depreciation:				
Land improvements	638,347	59,289	-	697,636
Buildings and improvements	9,119,503	729,683	-	9,849,186
Equipment and furniture	641,764	66,264	-	708,028
Vehicles	693,710	25,071	-	718,781
Textbooks	499,045	-	-	499,045
Total accumulated depreciation	<u>11,592,369</u>	<u>880,307</u>	<u>-</u>	<u>12,472,676</u>
Capital assets, net	<u>\$ 17,050,147</u>	<u>\$ (880,307)</u>	<u>\$ -</u>	<u>\$ 16,169,840</u>

**FELICITY - FRANKLIN LOCAL SCHOOL DISTRICT**  
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Depreciation expense was charged to functions as follows:

Instruction:	
Regular	\$ 816,563
Other	3,672
Support services:	
Instructional staff	1,279
Administration	4,766
Fiscal	2,383
Operation and maintenance of plant	1,293
Pupil transportation	43,177
Food services operations	6,627
Extracurricular activities	<u>547</u>
Total depreciation expense	<u>\$ 880,307</u>

**6. RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, the School District contracted with commercial carriers for property and fleet insurance, liability insurance and inland marine coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant change in coverage in the last year.

For fiscal year 2014, the School District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 14). 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. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

**FELICITY - FRANKLIN LOCAL SCHOOL DISTRICT**  
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For fiscal year 2014, the School District participated in the Clermont County Health Trust (the Trust), a group insurance purchasing pool (Note 14), in order to provide dental, life, medical, and disability benefits to employees, their dependents and designated beneficiaries and to set aside funds for such purposes. The Trustee provides insurance policies in whole or in part through one or more group insurance policies.

**7. DEFINED BENEFIT PENSION PLANS**

**School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit 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 state statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For the fiscal year ending June 30, 2014, the allocation to pension and death benefits is 13.10%. The remaining 0.90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's required contributions to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 were approximately \$177,000, \$180,000, and \$161,000, respectively, which equal the required contribution each year.

**State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

**FELICITY - FRANKLIN LOCAL SCHOOL DISTRICT**  
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**Plan Options** - New members have a choice of three retirement plans options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

**DB Plan Benefits** – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31<sup>st</sup> year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

**DC Plan Benefits** – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

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*Combined Plan Benefits* – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB and Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 11% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2014, were 11% of covered payroll for members and 14% for employers. The School District's required contributions to STRS for the fiscal years ended June 30, 2014, 2013, and 2012 were approximately \$581,000, \$576,000, and \$549,000, respectively. Approximately 84% has been contributed for fiscal year 2014, and 100% for fiscal years 2013 and 2012. The unpaid contribution for fiscal year 2014 is recorded as a liability.



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STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's 2010 *Comprehensive Annual Financial Report* can be requested by writing STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

**Social Security System**

All employees not otherwise covered by SERS or STRS have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. Members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

**8. POSTEMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS).

STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan and a Combined Plan which is a hybrid of the Defined Benefit and Defined Contribution Plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Plan B premiums.

Pursuant to Chapter 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for years ended June 30, 2014, 2013, and 2012. The 14% employer contribution rate is the maximum rate established under Ohio law. The School District's contributions to STRS Ohio allocated to post-employment health care for the fiscal years June 30, 2014, 2013, and 2012 were \$42,000, \$41,000, and \$39,000, respectively. Approximately 84% has been contributed for fiscal year 2014, and 100% for fiscal years 2013 and 2012. The unpaid contribution for fiscal year 2014 is recorded as a liability.

In addition to a cost-sharing multiple-employer defined pension plan, SERS administers two postemployment benefit plans:

**FELICITY - FRANKLIN LOCAL SCHOOL DISTRICT**  
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*Medicare B Plan* - The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation was 0.76%. The School District contributions for the fiscal years ended June 30, 2014, 2013, and 2012 were \$10,000, \$10,000, and \$9,000, respectively, which equaled the required contributions each year.

*Health Care Plan* - ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health care plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2014, the health care allocation was 0.14%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at \$20,250. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contributions assigned to health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$2,000, \$2,000, and \$6,000, respectively, which equaled the required contributions each year.

**FELICITY - FRANKLIN LOCAL SCHOOL DISTRICT**  
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The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS' website at [www.ohsers.org](http://www.ohsers.org) under *Employers/Audit Resources*.

**9. EMPLOYEE BENEFITS**

**Compensated Absences**

The criteria for determining vacation and sick leave components are derived from 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. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month and sick leave may be accumulated with no maximum for employees hired before January 1, 2001 and up to a maximum of 300 days for employees hired after January 1, 2001. Upon retirement of an employee hired before January 1, 2001, payment is made for 25% of accrued, but unused sick leave, for the first 300 days and 10% for days in excess of 300. Upon retirement of an employee hired after January 1, 2001, payment is made for 25% of accrued, but unused sick leave up to 300 days.

**FELICITY - FRANKLIN LOCAL SCHOOL DISTRICT**  
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**10. LONG-TERM OBLIGATIONS**

Long-term liability activity for the year ended June 30, 2014 was as follows:

	Principal Outstanding 7/1/13	Additions	Deductions	Principal Outstanding 6/30/14	Amount due in one year
<b>Governmental Activities:</b>					
School Improvement bonds:					
2011 Issue - 2.35%-4.15%	\$ 645,000	\$ -	\$ 40,000	\$ 605,000	\$ 45,000
Refunding bonds:					
2012 Issue - 2.00%-3.00%	1,664,998	-	200,000	1,464,998	215,000
Unamortized premiums	108,853	-	8,983	99,870	-
Interest accretion	<u>23,072</u>	<u>20,832</u>	<u>-</u>	<u>43,904</u>	<u>-</u>
	<u>2,441,923</u>	<u>20,832</u>	<u>248,983</u>	<u>2,213,772</u>	<u>260,000</u>
Capital lease obligation	50,052	-	23,342	26,710	15,806
Compensated absences	<u>370,534</u>	<u>68,052</u>	<u>83,676</u>	<u>354,910</u>	<u>66,215</u>
Total	<u>\$ 2,862,509</u>	<u>\$ 88,884</u>	<u>\$ 356,001</u>	<u>\$ 2,595,392</u>	<u>\$ 342,021</u>

*Felicity-Franklin HB264 Project School Improvement Bonds* – On October 6, 2011, the School District issued general obligation bonds for energy conservation improvements to school facilities with final maturity at December 1, 2025.

*Felicity-Franklin School Improvement Refunding Bonds* – On March 27, 2012, the School District issued school improvement refunding bonds to current refund the Series 1997 on April 26, 2012 and current refund the callable portion of the Series 2002 school improvement bonds on June 1, 2012. These bonds will mature on December 1, 2024.

All general obligation debt is supported by the full faith and credit of the School District. The Series 2012 bonds are paid from the Debt Service Fund and the Series 2011 bonds are paid from the General Fund. The capital lease obligation will be paid from the General Fund. Compensated absences will be paid from the fund from which the employees' salaries are paid, which is primarily the General Fund.

**FELICITY - FRANKLIN LOCAL SCHOOL DISTRICT**  
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Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2014 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$ 260,000	\$ 44,604	\$ 304,604
2016	260,000	39,246	299,246
2017	270,000	33,789	303,789
2018	215,354	95,127	310,481
2019	209,644	104,780	314,424
2020-2024	645,000	169,308	814,308
2025-2026	210,000	6,330	216,330
Total	<u>\$ 2,069,998</u>	<u>\$ 493,184</u>	<u>\$ 2,563,182</u>

**11. CAPITAL LEASES – LESSEE DISCLOSURE**

In the prior years, the School District entered into lease agreements for copiers in the amount of \$108,982. These leases meet the criteria of a capital lease as defined by generally accepted accounting principles, which define a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments will be reflected as debt service expenditures in the basic financial statements for the governmental funds.

The following is a schedule of the future minimum lease payments for the capital leases, and the present value of the future minimum lease payments at June 30, 2014:

Fiscal Year Ending June 30,	
2015	\$ 16,600
2016	<u>11,133</u>
Total	27,733
Less amount representing interest	<u>(1,023)</u>
Present value of minimum lease payments	<u>\$ 26,710</u>

**FELICITY - FRANKLIN LOCAL SCHOOL DISTRICT**  
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**12. FUND BALANCES**

Fund balance is classified as nonspendable, restricted, 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 the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b><i>Nonspendable</i></b>				
Inventory	\$ -	\$ -	\$ 17,051	\$ 17,051
<b><i>Total Nonspendable</i></b>	-	-	17,051	17,051
<b><i>Restricted for</i></b>				
Food Service Operations	-	-	190,035	190,035
Scholarships and Private Grants	-	-	4,434	4,434
Classroom Maintenance	-	-	161,030	161,030
Athletics	-	-	2,800	2,800
State Grant Programs	-	-	731	731
Federal Grant Programs	-	-	6,779	6,779
Debt Service Payments	-	898,901	-	898,901
<b><i>Total Restricted</i></b>	-	898,901	365,809	1,264,710
<b><i>Assigned to</i></b>				
Public School Support	32,936	-	-	32,936
Capital Improvements	-	-	100	100
Encumbrances	23,947	-	-	23,947
Budget Resource	41,484	-	-	41,484
<b><i>Total Assigned</i></b>	98,367	-	100	98,467
<b><i>Unassigned (Deficit)</i></b>	1,720,112	-	(20,173)	1,699,939
<b><i>Total Fund Balance</i></b>	<u>\$ 1,818,479</u>	<u>\$ 898,901</u>	<u>\$ 362,787</u>	<u>\$ 3,080,167</u>

**FELICITY - FRANKLIN LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
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At June 30, 2014, the following funds had a deficit fund balance:

Other Governmental Funds:		
Vocational Education Enhancements	\$	7,091
Improving Teacher Quality		13,082

The deficit fund balances were created by incurring expenditures that are anticipated to be reimbursed by grant funding. If necessary, the General Fund can provide transfers to cover deficit balances; however, this is done when cash is needed.

**13. JOINTLY GOVERNED ORGANIZATIONS**

*The Hamilton/Clermont Cooperative Association*

The School District is a participant in a two-county consortium of school districts that operate the Hamilton/Clermont Cooperative Association (H/CCA). H/CCA is an association of public districts in a geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The Board of H/CCA consists of one representative from each of the participating members. Complete financial statements for H/CCA can be obtained from their administrative offices at 7615 Harrison Avenue, Cincinnati 45231.

*The Hamilton Clermont Cooperative Association/Unified Purchasing Association*

The Hamilton Clermont Cooperative Association/Unified Purchasing Association is a jointly governed organization among a two-county consortium of school districts. The Unified Purchasing Cooperative was organized by H/CCA to benefit member districts with a more economically sound purchasing mechanism for general school, office and cafeteria supplies. The Unified Purchasing Cooperative organization is governed by representatives from each of the governments that create the organization, but there is no ongoing financial interest or responsibility by the participating governments. Complete financial statements for H/CCA can be obtained from their administrative offices at 7615 Harrison Avenue, Cincinnati, Ohio 45231.

**FELICITY - FRANKLIN LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
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*U.S. Grant Joint Vocational School District*

The U.S. Grant Joint Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of one representative from each of the four participating school district's elected board with an additional representative rotated among the four schools. U.S. Grant possesses its own budgeting and taxing authority and was formed for the purpose of providing vocational education opportunities to the students of the member school districts. The School District has no ongoing financial interest in or responsibility for U.S. Grant. To obtain financial information, write to U.S. Grant at 3046 State Route 125, Bethel, Ohio 45106.

**14. INSURANCE PURCHASING POOLS**

*Ohio Association of School Business Officials Workers' Compensation Group Rating Program*

The School District participates in the Ohio Association of School Business Officials 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 OASBO. The Executive Director of the OASBO, 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.

*The Clermont County Health Trust*

The Clermont County Health Trust (the Trust), an insurance purchasing pool, is a health trust formed to provide affordable and desirable dental, life, medical, and other disability group insurance for member's employees, eligible dependents and designated beneficiaries of such employees. The Board of Directors consists of one representative from each of the participating members and is elected by the vote of a majority of the member school districts. The School District pays premiums to a third party administrator which in turns buys the insurance policies from various insurance companies. Upon termination, the School District shall be responsible for prompt payment of all plan liabilities accruing as a result of such termination and maintain no right to any assets of the Trust. The School District may terminate participation in the Trust for the benefit of its employees upon written notice to the Trustee delivered at least sixty days prior to the annual review date of the policy. Financial information can be obtained from the Clermont County Health Trust at P. O. Box 526, Middletown, Ohio 45042.



**FELICITY - FRANKLIN LOCAL SCHOOL DISTRICT**  
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**15. CONTINGENCIES**

**Federal and State Funding**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure 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, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2014, if applicable, cannot be determined at this time.

**Litigation**

The School District is party to legal proceedings and is of the opinion that the ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

**16. REQUIRED SET-ASIDES**

The School District is required by State Statute to annually set aside in the general fund an amount based on the statutory formula for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

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

		Capital <u>Improvements</u>
Set-aside reserve balance as of June 30, 2013	\$	-
Current year set-aside requirement		164,884
Current year qualifying expenditures		(109,043)
Current year offsets		<u>(55,841)</u>
Total		<u><u>-</u></u>
Set-aside reserve balance as of June 30, 2014	\$	<u><u>-</u></u>

**FELICITY - FRANKLIN LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
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**17. CHANGE IN ACCOUNTING PRINCIPLES**

The School District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, GASB Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*, and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. GASB Statement No. 65 reclassifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses/expenditures) or inflows of resources (revenues). GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. GASB Statement No. 70 provides consistent reporting and disclosure requirements by those governments that extend nonexchange financial guarantees and by those governments that receive nonexchange financial guarantees.

In addition, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, has been issued by the GASB but is not yet determined the impact of this new standard will have on the School District’s financial statements.

## **REQUIRED SUPPLEMENTARY INFORMATION**

## FELICITY - FRANKLIN LOCAL SCHOOL DISTRICT

Schedule of Revenues, Expenditures and Changes in Fund  
 Balance - Budget and Actual (Non-GAAP Budgetary Basis)  
 General Fund  
 Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>Revenues:</b>				
Taxes	\$ 1,620,604	\$ 1,666,512	\$ 1,666,512	\$ -
Tuition and fees	484,335	605,989	605,989	-
Interest	15,961	17,599	20,210	2,611
Intergovernmental	6,969,609	7,393,750	7,393,750	-
Other revenues	<u>1,268</u>	<u>9,268</u>	<u>9,198</u>	<u>(70)</u>
<b>Total revenues</b>	<u>9,091,777</u>	<u>9,693,118</u>	<u>9,695,659</u>	<u>2,541</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	4,298,582	4,320,608	4,316,970	3,638
Special education	2,088,641	2,012,315	1,807,286	205,029
Other instruction	133,879	140,197	131,081	9,116
Support services:				
Pupil	411,585	351,305	340,623	10,682
Instructional staff	244,754	279,496	277,269	2,227
Board of Education	15,245	15,456	15,213	243
Administration	714,629	753,688	753,688	-
Fiscal	324,875	324,823	321,570	3,253
Operation and maintenance of plant	588,897	789,320	787,794	1,526
Pupil transportation	626,732	635,779	573,000	62,779
Central	1,248	1,248	1,248	-
Non-instructional services:				
Extracurricular activities	20,577	28,621	26,802	1,819
Capital outlay	-	-	13,399	(13,399)
Debt service:				
Principal	40,000	40,000	40,000	-
Interest and fiscal charges	<u>21,528</u>	<u>21,528</u>	<u>21,528</u>	<u>-</u>
<b>Total expenditures</b>	<u>9,531,172</u>	<u>9,714,384</u>	<u>9,427,471</u>	<u>286,913</u>
Excess of revenues over (under) expenditures	(439,395)	(21,266)	268,188	289,454
<b>Other financing sources (uses):</b>				
Transfers in	-	-	58,950	58,950
Transfers out	(25,000)	(25,000)	(146,238)	(121,238)
Other financing sources	<u>28,406</u>	<u>87,308</u>	<u>87,308</u>	<u>-</u>
<b>Total other financing sources (uses):</b>	<u>3,406</u>	<u>62,308</u>	<u>20</u>	<u>(62,288)</u>
Net change in fund balance	(435,989)	41,042	268,208	\$ 227,166
Fund balance, beginning of year	1,880,557	1,880,557	1,880,557	
Prior year encumbrances appropriated	<u>76,570</u>	<u>76,570</u>	<u>76,570</u>	
Fund balance, end of year	<u>\$ 1,521,138</u>	<u>\$ 1,998,169</u>	<u>\$ 2,225,335</u>	

See accompanying notes to required supplementary information.

# FELICITY - FRANKLIN LOCAL SCHOOL DISTRICT

Notes to Required Supplementary Information

Year Ended June 30, 2014

## Note A Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balances 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 Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) 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 basis are that:

Certain funds accounted for as separate funds internally with legally adopted budgets (budget basis) do not meet the definition of special revenue funds under GASB Statement No. 54 and were reported with the General Fund (GAAP basis).

Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

Encumbrances are treated as expenditures for all funds (budget basis) rather than as an expenditure when liquidated (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP statements and the budgetary basis schedule:

	<u>General</u>
Net change in fund balance - GAAP Basis	\$ 368,300
Increase / (decrease):	
Due to inclusion of the Public School Support Fund	(3,752)
Due to revenues	(192,382)
Due to expenditures	35,229
Due to other sources (uses)	87,308
Due to encumbrances	<u>(26,495)</u>
Net change in fund balance - Budget Basis	\$ <u>268,208</u>

## **SUPPLEMENTARY DATA**

**FELICITY FRANKLIN LOCAL SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>				
<b>Child Nutrition Grant Cluster:</b>				
(D) (E) School Breakfast Program	10.553	2014	\$ 64,528	\$ 64,528
(D) (E) National School Lunch Program	10.555	2014	209,710	209,710
(C) (D) National School Lunch Program - Food Donation	10.555	2014	35,015	35,015
<b>Total National School Lunch Program</b>			<u>244,725</u>	<u>244,725</u>
<b>Total Child Nutrition Grant Cluster</b>			<u>309,253</u>	<u>309,253</u>
<b>Total U.S. Department of Agriculture</b>			<u>309,253</u>	<u>309,253</u>
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>				
<b>Title I:</b>				
Title I Grants to Local Educational Agencies	84.010	2013	73,396	59,640
Title I Grants to Local Educational Agencies	84.010	2014	405,238	400,524
Title I School Improvement Grant	84.010	2012	15,227	-
Title I School Improvement Grant	84.010	2013	55,000	54,830
Title I School Improvement Grant	84.010	2014	13,238	7,088
<b>Total Title I</b>			<u>562,099</u>	<u>522,082</u>
<b>Special Education Grant Cluster:</b>				
(F) Special Education_Grants to States	84.027	2014	211,066	211,066
(F) Special Education-Preschool Grants	84.173	2014	3,730	3,730
<b>Total Special Education Grant Cluster</b>			<u>214,796</u>	<u>214,796</u>
(G) Improving Teacher Quality State Grants	84.367	2013	(1,089)	7
Improving Teacher Quality State Grants	84.367	2014	61,133	64,168
<b>Total Improving Teach Quality State Grants</b>			<u>60,044</u>	<u>64,175</u>
ARRA - State Fiscal Stabilization Fund (SFSF) - Race to the Top Incentive Grant, Recovery Act	84.395A	2013	1,392	-
ARRA - State Fiscal Stabilization Fund (SFSF) - Race to the Top Incentive Grant, Recovery Act	84.395A	2014	1,400	1,400
<b>ARRA - State Fiscal Stabilization Fund (SFSF) - Race to the Top Incentive Grant, Recovery Act</b>			<u>2,792</u>	<u>1,400</u>
<b>Total U.S. Department of Education</b>			<u>839,731</u>	<u>802,453</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 1,148,984</u>	<u>\$ 1,111,706</u>

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS:**

- (A) OAKS did not assign pass-through numbers for fiscal year 2014.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at the entitlement value.
- (D) Included as part of "Child Nutrition Grant Cluster" in determining major programs.
- (E) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (F) Included as part of "Special Education Grant Cluster" in determining major programs.
- (G) The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with Ohio Department of Education ("ODE")'s approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2014, the ODE authorized the following transfers:

Program Title	CFDA	Grant Year	Transfers Out	Transfers In
Improving Teacher Quality State Grants	84.367	2013	\$ 1,089	\$ -
Improving Teacher Quality State Grants	84.367	2014	-	1,089
<b>Total</b>			<u>\$ 1,089</u>	<u>\$ 1,089</u>



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Auditor's Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Required By *Government Auditing Standards***

Felicity-Franklin Local School District  
Clermont County  
415 W. Washington Street  
Felicity, Ohio 45120

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Felicity-Franklin Local School District, Clermont County, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Felicity-Franklin Local School District's basic financial statements and have issued our report thereon dated November 24, 2014.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Felicity-Franklin Local 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 Felicity-Franklin Local 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 Felicity-Franklin Local 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.



Board of Education  
Felicity-Franklin Local School District

***Compliance and Other Matters***

As part of reasonably assuring whether the Felicity-Franklin Local 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 Felicity-Franklin Local 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 Felicity-Franklin Local School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.  
November 24, 2014



**Julian & Grube, Inc.**  
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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Auditor's Report on Compliance With Requirements Applicable to The  
Major Federal Program and on Internal Control Over Compliance  
Required by OMB Circular A-133**

Felicity-Franklin Local School District  
Clermont County  
415 W. Washington Street  
Felicity, Ohio 45120

To the Board of Education:

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

We have audited the Felicity-Franklin Local School District's 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 the Felicity-Franklin Local School District's major federal program for the fiscal year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Felicity-Franklin Local School District's major federal program.

***Management's Responsibility***

The Felicity-Franklin Local 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 Felicity-Franklin Local School District's compliance for the Felicity-Franklin Local School District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and 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 Felicity-Franklin Local 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 Felicity-Franklin Local School District's major program. However, our audit does not provide a legal determination of the Felicity-Franklin Local School District's compliance.

Board of Education  
Felicity-Franklin Local School District

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

In our opinion, the Felicity-Franklin Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended June 30, 2014.

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

The Felicity-Franklin Local 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 Felicity-Franklin Local 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 Felicity-Franklin Local School District's internal control over compliance.

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

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

This report only describes the scope of our internal control 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.



Julian & Grube, Inc.  
November 24, 2014

**FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY, OHIO**

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

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program (listed):</i>	Title I Grants to Local Educational Agencies, CFDA #84.010
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None



# Dave Yost • Auditor of State

**FELICITY FRANKLIN LOCAL SCHOOL DISTRICT**

**CLERMONT 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  
JANUARY 06, 2015**