



Dave Yost • Auditor of State

**FRANKLIN CITY SCHOOL DISTRICT
WARREN COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position – June 30, 2014	15
Statement of Activities – For the Fiscal Year Ended June 30, 2014	16
Fund Financial Statements:	
Balance Sheet – Governmental Funds	17
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	18
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	19
Reconciliation of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	20
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Budget Basis) – General Fund.....	21
Statement of Fiduciary Net Position – Fiduciary Funds.....	22
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	23
Notes to the Basic Financial Statements	25
Schedule of Federal Awards Receipts and Expenditures – For the Fiscal Year Ended June 30, 2014	57
Notes to the Schedule of Federal Awards Receipts and Expenditures – For the Fiscal Year Ended June 30, 2014	58
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	59
Independent Auditor's Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133	61
Schedule of Findings.....	63

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Franklin City School District
Warren County
150 East Sixth Street
Franklin, Ohio 45005

To the Board of Education:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling schedules 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 February 9, 2015, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D" and a long, sweeping tail on the "y".

Dave Yost
Auditor of State

Columbus, Ohio

February 9, 2015

This page intentionally left blank.

Franklin City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

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

Financial Highlights

Key financial highlights for 2014 are as follows:

- In total, net position decreased \$1,979,920 which represents a 12 percent decrease from 2013.
- General revenues accounted for \$26,044,780 in revenue or 83 percent of all revenues. Program specific revenues in the form of charges for services, and operating grants and contributions and interest accounted for \$5,269,907 or 17 percent of total revenues of \$31,314,687.
- The School District had \$33,294,607 in expenses, up from \$32,291,397 in prior year.
- The General Fund had \$27,029,017 in revenues and \$29,084,801 in expenditures. The General Fund's balance decreased \$2,055,784 in fiscal year 2014.

Using this Generally Accepted Accounting Principles Report (GAAP)

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

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

Franklin City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

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

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

In the statement of net position and the statement of activities, the School District reports governmental activities. Governmental activities are the activities where most of the School District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. The School District does not have any business-type activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major fund begins on page 11. Fund financial statements provide detailed information about the School District's major fund. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant fund. The School District's major governmental fund is the General Fund.

Governmental Funds

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

Franklin City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

(or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the financial statements.

The School District as a Whole

Table 1 provides a summary of the School District's net position for 2014 compared to 2013:

Table 1 Net Position		Governmental Activities	
		2013	2014
Assets			
Current and Other Assets		\$19,866,153	\$20,030,445
Capital Assets		15,918,845	15,518,830
Total Assets		35,784,998	35,549,275
Deferred Outflows of Resources		97,968	92,526
Liabilities			
Long-Term Liabilities		5,387,664	4,924,246
Other Liabilities		3,216,598	3,108,651
Total Liabilities		8,604,262	8,032,897
Deferred Inflows of Resources		10,796,291	13,106,411
Net Position			
Invested in Capital Assets, Net of Debt		14,777,756	14,718,989
Restricted		2,306,129	2,338,992
Unrestricted		(601,472)	(2,555,488)
Total Net Position		\$16,482,413	\$14,502,493

Capital assets decreased as capital asset additions were limited in fiscal year 2014, only \$46,986.

Long-term liabilities decreased as the School District paid \$218,236 on its general obligation bonds and \$127,866 on its energy conservation bonds during 2014.

Unrestricted net position decreased \$1,954,016. Unrestricted net position is the part of net position that can be used to finance day-to-day activities without constraints established by grants or legal requirements.

Franklin City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

Table 2 shows the changes in net position for fiscal year 2013 and 2014.

Table 2
Change in Net Position

	Governmental Activities		Percentage Change
	2013	2014	
Revenues			
Program Revenues:			
Charges for Services	\$2,657,544	\$2,123,684	-20.09%
Operating Grants and Contributions	3,092,813	3,146,223	1.73
Total Program Revenues	<u>5,750,357</u>	<u>5,269,907</u>	(8.36)
General Revenues			
Property Taxes	12,809,021	11,048,540	(13.74)
Grants and Entitlements Not Restricted	13,831,830	14,414,674	4.21
Other	221,276	581,566	162.82
Total General Revenues	<u>26,862,127</u>	<u>26,044,780</u>	(3.04)
Total Revenues	<u>32,612,484</u>	<u>31,314,687</u>	(3.98)
Program Expenses			
Instruction	19,190,181	21,390,168	11.46
Support Services:			
Pupils and Instructional Staff	3,116,932	2,139,515	(31.36)
Board of Education, Administration, Fiscal and Business	2,930,207	2,965,520	1.21
Operation and Maintenance of Plant	2,412,655	2,290,342	(5.07)
Pupil Transportation	1,267,029	1,265,300	(0.14)
Central	417,246	419,080	0.44
Operation of Non-Instructional Services	1,799,593	1,757,749	(2.33)
Extracurricular Activities	868,663	772,639	(11.05)
Interest and Fiscal Charges	288,891	294,294	1.87
Total Expenses	<u>32,291,397</u>	<u>33,294,607</u>	3.11
Increase (Decrease) in Net Position	321,087	(1,979,920)	(716.63)
Net Position, Beginning of Year	<u>16,161,326</u>	<u>16,482,413</u>	1.99
Net Position, End of Year	<u>\$16,482,413</u>	<u>\$14,502,493</u>	(12.01)

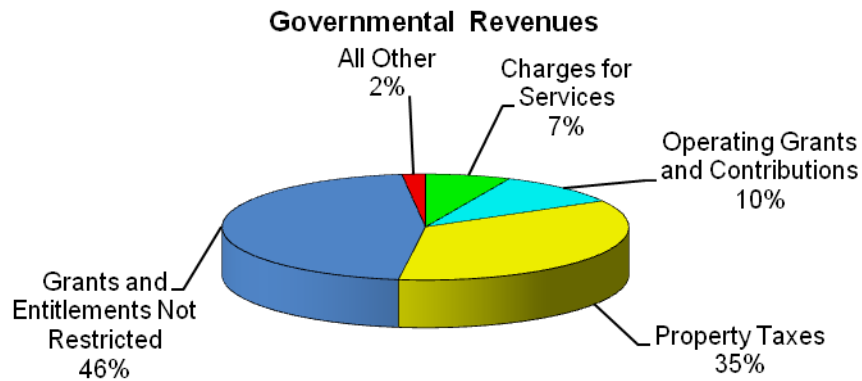
Property tax revenues decreased due to the variance in amounts available for advance at year end falling from \$1.2 million for fiscal year 2013 to \$.3 million for fiscal year 2014. Other revenues increased as the School District received a refund of auditor's fees for the amount \$177,719. In addition, the School District received \$218,796 from the City of Middletown as a result of the settlement in regards to TIF revenue (See Note 16). The remaining amount of the settlement monies is anticipated in fiscal year 2015.

Franklin City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

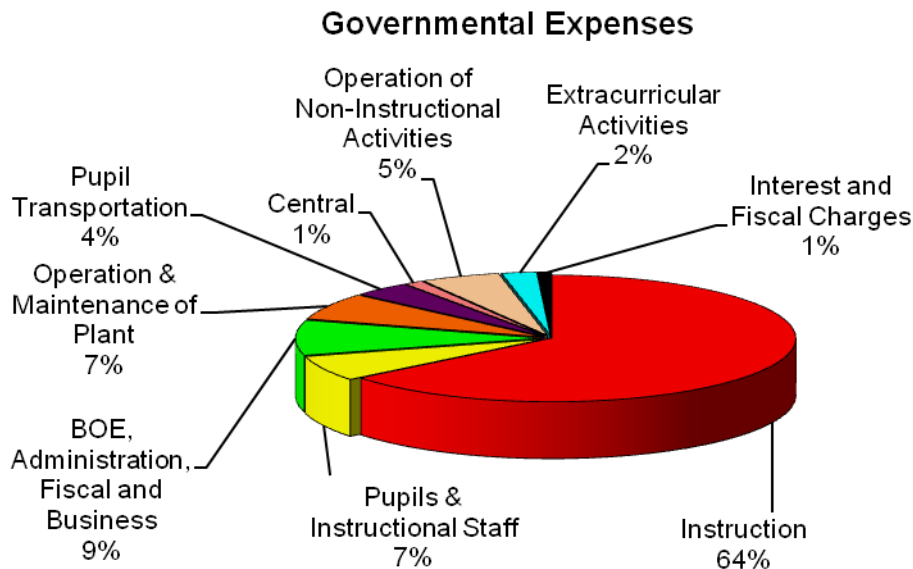
Overall, expenses increased 3.11 percent for 2014. While pupils and instructional staff expenses decreased, instruction increased due to a coding change in some expenses.

Governmental Activities

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for School District operations. Property taxes make up 35 percent of revenues for governmental activities for Franklin City School District for fiscal year 2014.



Instruction comprises 64 percent of district expenses. Support services expenses make up 28 percent of the expenses.



Franklin City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

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

Table 3
 Total and Cost of Program Services
 Governmental Activities

	Total Cost of Services 2013	Net Cost of Services 2013	Total Cost of Services 2014	Net Cost of Services 2014
Instruction	\$19,190,181	(\$16,132,573)	\$21,390,168	(\$18,773,311)
Support Services:				
Pupils and Instructional Staff	3,116,932	(2,780,252)	2,139,515	(1,835,043)
Board of Education, Administration, Fiscal and Business	2,930,207	(2,801,333)	2,965,520	(2,862,319)
Operation and Maintenance of Plant	2,412,655	(2,343,969)	2,290,342	(2,247,812)
Pupil Transportation	1,267,029	(1,264,629)	1,265,300	(1,265,300)
Central	417,246	(417,246)	419,080	(419,080)
Operation of Non-Instructional Services	1,799,593	24,376	1,757,749	133,099
Extracurricular Activities	868,663	(536,523)	772,639	(460,640)
Interest and Fiscal Charges	288,891	(288,891)	294,294	(294,294)
Total Expenses	<u>\$32,291,397</u>	<u>(\$26,541,040)</u>	<u>\$33,294,607</u>	<u>(\$28,024,700)</u>

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil.

Pupils and instructional staff include the activities involved with assisting staff with the content and process of teaching to pupils.

Board of education, administration, fiscal and business includes expenses associated with administrative and financial supervision of the district.

Operation and maintenance of plant activities involve keeping the school grounds, buildings, and equipment in an effective working condition.

Central includes expenses related to planning, research, development and evaluation of support services, as well as the reporting of this information internally and to the public.

Pupil transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by state law.

Operation of non-instructional services includes the preparation, delivery, and servicing of lunches, snacks and other incidental meals to students and school staff in connection with school activities.

Franklin City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

Extracurricular activities includes expenses related to student activities provided by the School District which are designed to provide opportunities for pupils to participate in school events, public events, or a combination of these for the purposes of motivation, enjoyment and skill improvement.

Interest and fiscal charges involves the transactions associated with the payment of interest and other related charges to debt of the School District.

The dependence upon tax revenues is apparent as no program is able to support itself. For all activities general revenue support is 84 percent. Taxes along with state foundation monies are the primary support for the Franklin City School District.

The School District's Funds

Information about the School District's major fund starts on page 17. These funds are accounted for using the modified accrual basis of accounting. The School District's major fund is the General Fund.

The School District's General Fund balance decreased \$2,055,784 during fiscal year 2014. Property tax revenues decreased due to the variance in the amounts available for advance at year end falling from \$1.2 million for fiscal year 2013 to \$.3 million for fiscal year 2014. The decrease in revenues along with an increase of expenses of 3% contributed to the decrease in the General Fund balance.

Other governmental funds fund balance increased \$81,878, or 3.5%.

General Fund Budgeting Highlights

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

During the course of fiscal year 2014, the School District amended its General Fund budget numerous times, which resulted in appropriations increasing \$628,843. The School District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. Prior to fiscal year-end, the School District passed appropriations to match expenditures plus encumbrances.

For the General Fund, the final budget basis revenue estimate was \$27,579,326. The original budgeted estimate was \$27,111,137. Increases resulted from increases in property taxes and intergovernmental revenues.

Capital Assets

At the end of fiscal year 2014, the School District had \$15,518,830 invested in land, land improvements, buildings and improvements, furniture, fixtures and equipment, and vehicles.

Franklin City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

Table 4 shows fiscal year 2014 balances compared to 2013.

	Governmental Activities	
	2013	2014
Land	\$409,574	\$409,574
Land Improvements	1,433,852	1,438,952
Buildings and Improvements	17,338,234	17,359,420
Furniture/Fixtures/Equipment	3,379,211	3,399,911
Vehicles	1,474,776	1,474,776
Less: Accumulated Depreciation	(8,116,802)	(8,563,803)
	\$15,918,845	\$15,518,830

Overall capital assets decreased \$400,015 from fiscal year 2013 to fiscal year 2014. For more information on capital assets, see Note 7 of the Basic Financial Statements.

Debt Administration

At June 30, 2014, the School District had outstanding debt in the amount \$2,960,936. During 2011, the School District issued \$959,000 in general obligation energy conservation improvement bonds. The bonds are qualified school construction bonds - direct payment, where the School District will receive a subsidy for \$723,975 over the life of the bonds to help decrease interest costs.

For more information on the School District's debt, see Note 12 of the Basic Financial Statements.

Current Financial Issues and Concerns

The Franklin Board of Education, Administration and staff are committed to improving the financial condition of our School District.

On May 4, 2010, the voters of the School District renewed an 8.9 mills, 5 year emergency operating levy commencing in 2010, and first due in calendar year 2011. The levy is anticipated to generate approximately \$4,068,895. The levy will expire December 31, 2015.

On August 4, 2010, the School District issued \$959,784 in energy conservation bonds at a 5.5% interest rate. Energy conservation measures include a retrofit of lights, boilers and chillers at the high school. The annual anticipated savings from the energy conservation measures is \$62,751. The payback period on the project is 15 years. During fiscal year 2012, many of these projects were finished.

On November 2, 2010, the voters of the School District rejected a 4.2 mills additional levy for 38 years to be used for the building of a new high school.

Franklin City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

On August 6, 2013 and again on November 5, 2013, the voters rejected a 7.92 mill continuing operating levy. On May 6, 2014, the voters approved a 7.92 mill operating levy.

In conclusion, the Franklin City School District continues to be committed to improving our financial condition. A conservative approach to spending has allowed many years to pass without requesting additional money from taxpayers.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, 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 Jana Bellamy, Treasurer at Franklin City School District, 150 E. Sixth Street, Franklin, OH 45005 or email Jbellamy@franklin-city.k12.oh.us.

This page intentionally left blank.

Franklin City School District*Statement of Net Position**June 30, 2014*

	<u>GOVERNMENTAL ACTIVITIES</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$4,995,011
Accrued Interest Receivable	234
Accounts Receivable	443,166
Intergovernmental Receivable	724,035
Inventory of Supplies and Materials	16,011
Property Taxes Receivable	13,851,988
Depreciable Capital Assets, Net	15,109,256
Non-Depreciable Capital Assets	409,574
Total Assets	<u>35,549,275</u>
Deferred Outflows of Resources:	
Deferred Charge on Refunding	<u>92,526</u>
Liabilities:	
Accounts Payable	63,066
Accrued Wages and Benefits Payable	2,345,990
Intergovernmental Payable	584,005
Accrued Interest Payable	115,590
Long Term Liabilities:	
Due Within One Year	488,791
Due In More Than One Year	4,297,820
Unamortized Premium on Bonds	137,635
Total Liabilities	<u>8,032,897</u>
Deferred Inflows of Resources	
Property Taxes not Levied to Finance Current Year Operations	12,952,056
Payments in Lieu of Taxes not Intended to Finance Current Year Operations	154,355
Total Deferred Inflows of Resources	<u>13,106,411</u>
Net Position:	
Invested in Capital Assets, Net of Related Debt	14,718,989
Restricted for:	
Debt Service	729,672
Capital Projects	789,378
Other Purposes	819,942
Unrestricted	(2,555,488)
Total Net Position	<u><u>\$14,502,493</u></u>

See Accompanying Notes to the Basic Financial Statements

Franklin City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2014

	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
	EXPENSES	CHARGES FOR SERVICES AND SALES	OPERATING GRANTS CONTRIBUTIONS AND INTEREST	TOTAL GOVERNMENTAL ACTIVITIES
Governmental Activities				
Instruction:				
Regular	\$15,324,301	\$1,386,820	\$246,784	(\$13,690,697)
Special	5,828,741	92,397	848,766	(4,887,578)
Vocational	161,718	3,717	38,373	(119,628)
Student Intervention Services	112	0	0	(112)
Other	75,296	0	0	(75,296)
Support Services:				
Pupils	1,784,371	0	277,104	(1,507,267)
Instructional Staff	355,144	0	27,368	(327,776)
Board of Education	32,147	0	0	(32,147)
Administration	2,171,962	0	103,201	(2,068,761)
Fiscal	570,934	0	0	(570,934)
Business	190,477	0	0	(190,477)
Operation and Maintenance of Plant	2,290,342	42,530	0	(2,247,812)
Pupil Transportation	1,265,300	0	0	(1,265,300)
Central	419,080	0	0	(419,080)
Operation of Non-Instructional Services	1,757,749	374,482	1,516,366	133,099
Extracurricular Activities	772,639	223,738	88,261	(460,640)
Interest and Fiscal Charges	294,294	0	0	(294,294)
Total Governmental Activities	<u>\$33,294,607</u>	<u>\$2,123,684</u>	<u>\$3,146,223</u>	<u>(28,024,700)</u>

General Revenues:	
Property Taxes Levied for:	
General Purposes	10,552,372
Capital Outlay	322,130
Debt Service	174,038
Grants and Entitlements not Restricted to	
Specific Programs	14,414,674
Gifts and Donations not Restricted to	
Specific Programs	17,072
Payment in Lieu of Taxes	314,763
Investment Earnings	3,902
Miscellaneous	245,829
Total General Revenues	<u>26,044,780</u>
Change in Net Position	(1,979,920)
Net Position Beginning of Year	<u>16,482,413</u>
Net Position End of Year	<u>\$14,502,493</u>

See Accompanying Notes to the Basic Financial Statements

Franklin City School District

Balance Sheet

Governmental Funds

June 30, 2014

	<u>GENERAL</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$2,504,144	\$2,490,867	\$4,995,011
Receivables:			
Property Taxes	13,343,432	508,556	13,851,988
Accounts	438,040	5,126	443,166
Accrued Interest	234	0	234
Intergovernmental	400,865	323,170	724,035
Interfund	18,815	0	18,815
Inventory of Supplies and Materials	0	16,011	16,011
Total Assets	<u>\$16,705,530</u>	<u>\$3,343,730</u>	<u>\$20,049,260</u>
Liabilities:			
Accounts Payable	\$24,482	\$38,584	\$63,066
Accrued Wages and Benefits Payable	2,138,026	207,964	2,345,990
Intergovernmental Payable	513,038	70,967	584,005
Interfund Payable	0	18,815	18,815
Total Liabilities	<u>2,675,546</u>	<u>336,330</u>	<u>3,011,876</u>
Deferred Inflows of Resources			
Property Taxes not Levied to Finance Current Year Operations	12,482,193	469,863	12,952,056
Payment in Lieu of Taxes not Intended to Finance Current Year Operations	154,355	0	154,355
Unavailable Revenue	785,586	145,238	930,824
Total Deferred Inflows of Resources	<u>13,422,134</u>	<u>615,101</u>	<u>14,037,235</u>
Fund Balances			
Nonspendable	0	16,011	16,011
Restricted	0	1,603,097	1,603,097
Committed	0	772,191	772,191
Assigned	122,615	1,000	123,615
Unassigned	485,235	0	485,235
Total Fund Balances	<u>607,850</u>	<u>2,392,299</u>	<u>3,000,149</u>
Total Liabilities, Deferred Inflows, and Fund Balances,	<u>\$16,705,530</u>	<u>\$3,343,730</u>	<u>\$20,049,260</u>

See Accompanying Notes to the Basic Financial Statements

Franklin City School District
*Reconciliation of the Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2014*

Total Governmental Fund Balances \$3,000,149

Amounts reported for governmental activities in the statement of net position are different because:

Some assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	409,574	
Land Improvements	1,438,952	
Building and Improvements	17,359,420	
Furniture/Equipment/Fixtures	3,399,911	
Vehicles	1,474,776	
Accumulated Depreciation	<u>(8,563,803)</u>	15,518,830
Total Capital Assets		

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds:

Property Taxes	521,142	
Tuition and Fees and Rentals	217,807	
Interest	234	
Miscellaneous	68,876	
Intergovernmental Grants	<u>122,765</u>	930,824

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

General Obligation Bonds	(2,212,559)	
Energy Conservation Bomds	(703,268)	
Unamortized Premium on Refunding Bonds	(137,635)	
Accounting Loss	92,526	
Accrued Interest on Loans	(115,590)	
Compensated Absences	<u>(1,870,784)</u>	<u>(4,947,310)</u>

Net Position of Governmental Activities \$14,502,493

See Accompanying Notes to the Basic Financial Statements

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

	GENERAL	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Revenues:			
Property Taxes	\$10,557,833	\$506,635	\$11,064,468
Payment in Lieu of Taxes	314,763	0	314,763
Tuition and Fees	1,496,325	0	1,496,325
Interest	3,567	261	3,828
Intergovernmental	14,273,372	3,255,681	17,529,053
Extracurricular Activities	28,549	165,415	193,964
Charges for Services	0	379,822	379,822
Gifts and Donations	105,333	35,578	140,911
Rent	42,530	0	42,530
Miscellaneous	206,745	2,748	209,493
Total Revenues	27,029,017	4,346,140	31,375,157
Expenditures:			
Current:			
Instruction:			
Regular	14,681,937	529,650	15,211,587
Special	4,983,882	855,252	5,839,134
Vocational	184,008	0	184,008
Student Intervention Services	112	0	112
Other	75,296	0	75,296
Support Services:			
Pupils	1,505,199	310,576	1,815,775
Instructional Staff	372,654	28,382	401,036
Board of Education	31,940	0	31,940
Administration	2,058,022	137,617	2,195,639
Fiscal	552,942	7,583	560,525
Business	187,314	0	187,314
Operation and Maintenance of Plant	2,085,122	28,569	2,113,691
Pupil Transportation	1,200,300	0	1,200,300
Central	405,431	0	405,431
Operation of Non-Instructional Services	11,673	1,732,181	1,743,854
Extracurricular Activities	615,257	155,914	771,171
Debt Service:			
Principal Retirement	127,867	218,236	346,103
Interest and Fiscal Charges	5,845	260,302	266,147
Total Expenditures	29,084,801	4,264,262	33,349,063
Net Change in Fund Balances	(2,055,784)	81,878	(1,973,906)
Fund Balances at Beginning of Year	2,663,634	2,310,421	4,974,055
Fund Balances at End of Year	\$607,850	\$2,392,299	\$3,000,149

See Accompanying Notes to the Basic Financial Statements

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

Net Change in Fund Balances - Total Governmental Funds (\$1,973,906)

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. In the current period, these amounts are:

Capital Outlay	46,986	
Depreciation Expense	(447,001)	
Excess of Capital Outlay over Depreciation Expense	(400,015)	(400,015)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current fiscal year, these amounts consist of:

General Obligation Bonds Principal Payments	218,236	
Energy Conservation Bonds Principal Payments	127,866	
	346,102	346,102

The issuance of long-term debt provides current financial resources to governmental funds, but in the statement of net position, the debt is reported as a liability.

Accretion on General Obligation Capital Appreciation Bonds	(27,296)	
Amortization of Accounting Loss	(5,442)	
Amortization of Premium on Refunding Bonds	8,096	
	(24,642)	(24,642)

Some revenues that will not be collected for several months after the School District's fiscal year-end are not considered "available" revenues and are deferred in the governmental funds.

Property Taxes	(15,928)	
Tuition and Fees and Rentals	(22,156)	
Interest	(4,309)	
Miscellaneous	68,876	
Intergovernmental Grants	(86,953)	
	(60,470)	(60,470)

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

Increase in Accrued Interest	(3,505)	
Decrease in Compensated Absences	136,516	
	133,011	133,011

Change in Net Position of Governmental Activities (\$1,979,920)

See Accompanying Notes to the Basic Financial Statements

Franklin City School District
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget (Non - GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2014

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
Revenues:				
Property Taxes	\$11,255,417	\$11,427,043	\$11,427,043	\$0
Tuition and Fees	1,633,638	1,567,803	1,567,803	0
Interest	3,758	3,567	3,567	0
Intergovernmental	13,945,990	14,341,625	14,341,625	0
Gifts and Donations	104,000	97,072	97,072	0
Rent	68,687	42,530	42,530	0
Miscellaneous	99,647	99,686	99,686	0
Total Revenues	<u>27,111,137</u>	<u>27,579,326</u>	<u>27,579,326</u>	<u>0</u>
Expenditures:				
Current:				
Instruction:				
Regular	14,325,331	14,707,092	14,707,092	0
Special	4,561,049	4,873,897	4,873,897	0
Vocational	217,110	204,469	204,469	0
Student Intervention Services	315	112	112	0
Other	74,413	74,614	74,614	0
Support Services:				
Pupils	1,522,479	1,524,388	1,524,388	0
Instructional Staff	543,081	514,480	514,480	0
Board of Education	36,199	31,091	31,091	0
Administration	2,047,602	2,063,124	2,063,124	0
Fiscal	599,833	611,974	611,974	0
Business	177,778	186,383	186,383	0
Operation and Maintenance of Plant	2,128,194	2,100,809	2,100,809	0
Pupil Transportation	1,203,748	1,213,301	1,213,301	0
Central	417,550	405,754	405,754	0
Operation of Non-Instructional Services	26,000	11,673	11,673	0
Extracurricular Activities	581,085	563,810	563,810	0
Debt Service				
Principial	127,867	127,867	127,867	0
Interest and Fiscal Charges	2,206	5,845	5,845	0
Total Expenditures	<u>28,591,840</u>	<u>29,220,683</u>	<u>29,220,683</u>	<u>0</u>
Excess of Revenues Under Expenditures	<u>(1,480,703)</u>	<u>(1,641,357)</u>	<u>(1,641,357)</u>	<u>0</u>
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	2,902	0	0	0
Refund of Prior Year Expenditures	55,911	178,204	178,204	0
Insurance Recoveries	5,892	0	0	0
Total Other Financing Sources (Uses)	<u>64,705</u>	<u>178,204</u>	<u>178,204</u>	<u>0</u>
Net Change in Fund Balances	<u>(1,415,998)</u>	<u>(1,463,153)</u>	<u>(1,463,153)</u>	<u>0</u>
Fund Balances at Beginning of Year	<u>3,700,893</u>	<u>3,700,893</u>	<u>3,700,893</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>140,393</u>	<u>140,393</u>	<u>140,393</u>	<u>0</u>
Fund Balances at End of Year	<u>\$2,425,288</u>	<u>\$2,378,133</u>	<u>\$2,378,133</u>	<u>\$0</u>

See Accompanying Notes to the Basic Financial Statements

Franklin City School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	PRIVATE PURPOSE TRUST	
	SCHOLARSHIP	AGENCY
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$173,714	\$54,869
Liabilities:		
Accounts Payable	95,650	\$0
Due to Students	0	\$54,869
Net Position:		
Held in Trust for Scholarships		
Expendable	\$16,733	
Non-expendable	61,331	
Total Net Position	\$78,064	

See Accompanying Notes to the Basic Financial Statements

Franklin City School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2014

	PRIVATE PURPOSE TRUST
	SCHOLARSHIP
Additions:	
Gifts and Contributions	\$102,570
Deductions:	
Scholarships Awarded	100,542
Change in Net Position	2,028
Net Position Beginning of Year	76,036
Net Position End of Year	\$78,064

See Accompanying Notes to the Basic Financial Statements

This page intentionally left blank.

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

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Franklin City School District (the “School District”) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally elected five-member board and provides educational services as authorized by its charter or further mandated by state/federal agencies. The Board controls the School District’s eight instructional facilities and provides education to approximately 3,000 students.

The School District is located in Franklin, Ohio and serves an area of approximately 36 square miles. The School District operates six elementary schools (K-6), one junior high school (7-8), and one high school (9-12).

Reporting Entity:

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

Parochial Schools – Within the School District boundaries, Bishop Fenwick High School is operated as a private Catholic school. Current state legislation provides funding to parochial and private schools. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the School District, as directed by the parochial and private charter schools. This program is reflected as a governmental activity for financial reporting purposes.

Component units are legally separate organizations for which the School District would be 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. The School District is also financially accountable for any 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.

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

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

(continued)

Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the School District, are accessible to the School District and are significant in the amount to the School District. The School District has no component units.

The School District participates in four jointly governed organizations and one insurance purchasing pool. These organizations are the Southwestern Ohio Computer Association (SWOCA), the Warren County Career Center, the Southwestern Ohio Educational Purchasing Council (SOEPC), the Southwestern Ohio Instructional Technology Association (SOITA), and the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), respectively. These organizations are presented in Note 14 and 15 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to Generally Accepted Accounting Principles (GAAP) for local governmental units prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The most significant of the School District's accounting principles are described below.

A. Basis Of Presentation - Fund Accounting

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

Government-wide Financial Statements:

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The government-wide financial statements usually distinguish between those activities that are governmental and those that are business-type. The School District, however, has no activities which are reported as business-type.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The statement of net position presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues that are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements:

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

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The School District divides its funds into two categories: governmental and fiduciary.

Governmental Funds:

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

General Fund - The General Fund is the operating fund of the School District and 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.

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

Fiduciary Fund Types:

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only fiduciary funds are a private purpose trust fund and an agency fund. The School District's private purpose trust fund accounts for college scholarship programs for students. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The student managed activities agency fund accounts for those student activity programs, which have student participation in the activity and have students involved in the management of the program. This fund typically includes those student activities, which consist of a student body, student president, student treasurer, and faculty advisor.

C. Measurement Focus

Government-wide Financial Statements:

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

Fund Financial Statements:

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions:

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

Non-exchange transactions, in which the School District receives value without directly giving equal 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 are levied (See Note 5). 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.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, billings for charges for services, student fees, and grants.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position and balance sheets will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

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

Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

E. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District 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, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), INVESCO Equity and Income Fund, FT Unit 4083 Core Three Closed End Fund, Huntington Money Market Investment, and repurchase agreements. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2014.

The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2014 amounted to \$3,567, which includes \$1,329 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they were purchased by the District are presented on the financial statements as cash equivalents.

F. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expensed/expensed when used. Inventory consists of purchased food held for resale.

G. Prepaid Items

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

H. Capital Assets and Depreciation

The School District's only capital assets are general capital assets. General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except for land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	40 years
Buildings and Improvements	99 years
Furniture/Fixtures/Equipment	5-40 years
Vehicles	10-20 years

I. 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 School District records a liability for accumulated unused sick leave for classified employees after ten years of current service with the School District and for certified employees and administrators after ten years of service.

The entire compensated absences liability is reported on the government-wide financial statements. A liability is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

J. Accrued Liabilities and Long-Term Obligations

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt 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 are 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. Net position restricted for other purposes include activities for food service operations, music and athletic programs, debt service, and federal and state grants restricted to expenditures for specified purposes.

The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. None of the restricted net position amounts were restricted by enabling legislation.

L. Fund Balance

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

Non-spendable – The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The ‘not in spendable form’ includes items that are not expected to be converted to cash.

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assigned – Amounts in the assigned 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 Board of Education.

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

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

M. Deferred Charge on Refunding Bonds

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This deferred amount is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as deferred outflows of resources on the statement of net position.

N. Bond Discounts/Premiums

On the government-wide financial statements, bond premiums and discounts are deferred and amortized over the term of the bonds using the straight-line method, since the results are not significantly different from the effective interest method. Bond premiums/discounts are presented as additions/reductions to the face amount of the bonds payable. On the government-wide fund financial statements, bond premiums and discounts are recognized in the period in which the debt is issued.

O. Interfund Transactions

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. 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.

Q. Budgetary Process

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

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate that was issued during fiscal year 2014. Prior to fiscal year-end, the School District requested and received an amended certificate of estimated resources that reflected actual revenue for the fiscal year in the General Fund and which was in effect at the time the final appropriations were passed by the Board of Education.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year. Prior to fiscal year-end, the School District passed an amended appropriation resolution which matched appropriations to expenditures plus encumbrances.

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

NOTE 3 - BUDGET TO GAAP RECONCILIATION

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Perspective differences resulting from fund structure differences.

	General
GAAP Basis	(\$2,055,784)
Revenue Accruals	790,648
Expenditure Accruals	(105,920)
Perspective Differences	(10,029)
Encumbrances	(82,068)
Budget Basis	(\$1,463,153)

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, 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 may 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 and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, 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 eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and

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

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

8. Under limited circumstances, 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.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution in security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

At fiscal year-end, the carrying amount of the School District's deposits was \$1,965,045 and the bank balance was \$2,676,497. \$750,000 of the School District's deposits was insured by federal depository insurance. As of June 30, 2014, \$1,926,497 of the School District's bank balance of \$2,676,497 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

Investments

At June 30, 2014, the School District had the following investments.

<u>Investments:</u>	<u>Maturity</u>	<u>Fair Value</u>
Repurchase Agreement	1 day	\$1,118,626
Huntington Money Market Investment	49 days	3,160
FT Unit 4083 Core Three Closed End Fund	Not available	38,513
INVESCO Equity & Income Fund	9.68 years	34,940
STAR Ohio	54.4 days	2,063,310
		<u>\$3,258,549</u>

Interest Rate Risk - The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School District's investment policy does not further limit its investment choices.

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

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

Credit Risk – State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit its investment choices. The School District's investment in STAR Ohio is rated AAAm by Standard & Poor's. The School District's investment in Unit 4083 Core Three Closed End Fund, INVESCO Equity and Income Fund, FT C and Huntington Money Market Fund is not rated.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The repurchase agreement is exposed to custodial credit risk as it is uninsured, unregistered, and held by the counterparty's trust department or agent but not in the School District's name. The School District has no investment policy dealing with custodial credit risk beyond the requirements of State statute which prohibit payment for investments prior to the delivery of the securities representing the investments to the Treasurer or qualified trustee.

Concentration of Credit Risk - The School District places no limits on the amount the School District may invest in any one issuer. Of the School District's investments at June 30, 2014, 63% was invested in STAR Ohio and 34% was invested in a repurchase agreement.

NOTE 5 - PROPERTY TAXES

Property taxes include amounts levied against all real property and public utility property located in the School District.

Real property tax receipts received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value.

Public utilities subject to taxation on their tangible personal property include electric, rural electric, natural gas, pipeline, water works, water transportation, heating and telegraph companies. The tax rates vary according to the type of public utility. Public utility taxes are levied on all tangible personal property owned and located in Ohio on December 31 of the preceding year.

Real property and public utility taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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.

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

NOTE 5 - PROPERTY TAXES (continued)

Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Warren 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 includes real property, public utility property and tangible personal property taxes, which are measurable as of June 30, 2014, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflow of resources. The amount available as an advance is recognized as revenue. On an accrual basis, collectable property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is shown as a deferred inflow of resources.

The amount available as an advance at June 30, 2014, was \$362,570 in the General Fund and \$4,520 in the Bond Retirement Debt Service Fund and \$11,700 in the Permanent Improvement Fund. The amount available as an advance at June 30, 2013, was \$1,231,780 in the General Fund and \$21,780 in the Bond Retirement Debt Service Fund and \$39,630 in the Permanent Improvement Fund.

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

	2013 Second- Half Collections		2014 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$370,545,630	94.68%	\$370,757,760	94.35%
Public Utility Personal	20,803,030	5.32%	22,191,850	5.65%
Total	<u>\$391,348,660</u>	<u>100.00%</u>	<u>\$392,949,610</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$58.38		\$57.98	

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

NOTE 6 - RECEIVABLES

Receivables at June 30, 2014, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), interfund, interest and intergovernmental grants. All receivables are considered collectible in full and will be received within one year.

A summary of intergovernmental receivables follows:

<u>Intergovernmental Receivable</u>	<u>Amounts</u>
Governmental Activities:	
Food Service reimbursement	\$2,627
Catastrophic Cost Reimbursement	145,346
Medicaid	5,197
ESCE	5,883
FY 12 Income Tax Abatement	95,967
Title I	140,521
IDEA-B grant	73,342
Title II-A	38,568
General Fund	154,355
Race to the Top	62,229
Total Governmental Activities	<u>\$724,035</u>

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

NOTE 7 - CAPITAL ASSETS

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

	Balance 6/30/2013	Additions	Deletions	Balance 6/30/2014
Governmental Assets				
<i>Capital Assets, not being depreciated</i>				
Land	\$409,574	\$0	\$0	\$409,574
<i>Capital Assets, being depreciated</i>				
Land Improvements	1,433,852	5,100	0	1,438,952
Building and Improvements	17,338,234	21,186	0	17,359,420
Furniture/Equipment/Fixtures	3,379,211	20,700	0	3,399,911
Vehicles	1,474,776	0	0	1,474,776
Total Capital Assets, being depreciated	<u>23,626,073</u>	<u>46,986</u>	<u>0</u>	<u>23,673,059</u>
Less: Accumulated Depreciation				
Land Improvements	(571,109)	(36,326)	0	(607,435)
Building and Improvements	(5,008,084)	(202,449)	0	(5,210,533)
Furniture/Equipment/Fixtures	(1,790,657)	(141,259)	0	(1,931,916)
Vehicles	(746,952)	(66,967)	0	(813,919)
Total Accumulated Depreciation	<u>(8,116,802)</u>	<u>(447,001)</u>	<u>0</u>	<u>(8,563,803)</u>
Total Capital Assets, being depreciated, net	<u>15,509,271</u>	<u>(400,015)</u>	<u>0</u>	<u>15,109,256</u>
Governmental Activities Capital Assets, net	<u>\$15,918,845</u>	<u>(\$400,015)</u>	<u>\$0</u>	<u>\$15,518,830</u>

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

NOTE 7 - CAPITAL ASSETS (continued)

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$98,371
Special	5,476
Vocational	1,379
Support Services:	
Pupils	3,824
Instructional Staff	7,660
Board of Education	207
Administration	19,149
Fiscal	1,170
Operation and Maintenance of Plant	211,126
Transportation	65,281
Central	13,253
Operation of Non-Instructional Services	11,873
Extracurricular Activities	8,232
Total	<u><u>\$447,001</u></u>

NOTE 8 - RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, the School District contracted Catlin for its insurance. Building/contents and boiler and machinery insurance have a \$70,764,255 limit. There is a \$2,500 deductible with this coverage.

General liability and sexual misconduct has a \$1 million single and \$2 million aggregate limit. Errors and omission liability limit is \$1 million single and \$1 million aggregate. The deductible is \$2,500. The School District's vehicles are covered by Catlin with a liability limit of \$1 million and uninsured motorist or underinsured limit of \$1 million. The deductible is \$500/\$500. The School District also carries an addition \$1 million liability/auto umbrella (excess limit).

The School District carries blanket employee bond in the amount of \$50,000 for everyone except the treasurer. This bond is held by the Traveler's Casualty and Surety Company of America. The Cincinnati Insurance Company maintains a \$20,000 public official bond for the Treasurer.

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

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

NOTE 8 - RISK MANAGEMENT (continued)

The aggregate coverage amount for general liability and sexual conduct decreased from \$3 million to \$2 million. In addition, errors and omissions aggregate decreased from \$3 million to \$1 million.

B. Workers' Compensation

For fiscal year 2014, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 15). 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 on 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 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 Hunter Consulting provides administrative, cost control and actuarial services to the GRP.

NOTE 9 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rating among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund and Health Care Fund) of the System.

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

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

For fiscal year 2014, the allocation to pension and death benefits is 13.10 percent. The remaining .9 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds.

The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$408,520, \$460,023, and \$463,894, respectively; 77.61 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

B. State Teachers Retirement System of Ohio

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

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

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

Funding Policy - For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013, and 2012 were \$1,764,355, \$1,811,334, and \$1,723,028, respectively; 82.58 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

NOTE 10 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan.

Medicare Part 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 premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending upon their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$23,700, \$25,986, and \$27,395, respectively; 77.61 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

Health Care Plan – ORC 3309.375 and 2209.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage.

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

NOTE 10 - POSTEMPLOYMENT BENEFITS (continued)

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 percent contribution to the Health Care Fund. For the year ended June 30, 2014, the health care allocation is .14 percent. 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. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for 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 for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$77,024, \$79,668, and \$95,218, respectively; 4.4 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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 both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on the SERS' at www.ohsers.org under employers/audit resources.

B. State Teachers Retirement System of Ohio

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

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

NOTE 10 - POSTEMPLOYMENT BENEFITS (continued)

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$135,720, \$139,333, and \$132,541, respectively; 82.58 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

NOTE 11 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn five 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 and administrators do not earn vacation time, with the exception of the Superintendent, Assistant Superintendent, Curriculum Coordinator and Treasurer.

Teachers, administrators, and employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 235 days for classified staff and 233 for certified staff. Upon retirement, employees are paid 25% of their unused sick leave up to a maximum of 59 days for classified staff and 59 days for certified staff.

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Sun Life. The School District provides comprehensive medical/surgical (including major medical) coverage through private carriers to most employees. Employee's medical insurance is provided by Anthem PPO. The School District and employees share in the monthly premiums.

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

NOTE 11 - EMPLOYEE BENEFITS (continued)

C. Deferred Compensation

School District employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death, or an unforeseeable emergency.

NOTE 12 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2014 were as follows:

	Amount Outstanding 6/30/2013	Additions	Deletions	Amount Outstanding 6/30/2014	Amount Due in One Year
Governmental Activities					
School Improvement Refunding					
1997 3.75 to 5.2%	\$199,809	\$0	(\$103,236)	\$96,573	\$96,572
Energy Conservation Bonds 5.5%	831,134	0	(127,866)	703,268	63,933
Library Improvement Refunding Bonds 2007					
Serial Bonds 4.0 to 4.2%	725,000	0	(115,000)	610,000	115,000
Term Bonds 4.35%	1,295,000	0	0	1,295,000	0
Capital Appreciation Bonds 4.35%	183,690	27,296	0	210,986	0
Premium on Refunding Bonds	145,731	0	(8,096)	137,635	0
Accounting Loss	(97,968)	0	5,442	(92,526)	0
Total General Obligation Bonds	3,282,396	27,296	(348,756)	2,960,936	275,505
Compensated Absences	2,007,300	94,727	(231,243)	1,870,784	213,286
Total Governmental Activities					
Long-Term Liabilities	<u>\$5,289,696</u>	<u>\$122,023</u>	<u>(\$579,999)</u>	<u>\$4,831,720</u>	<u>\$488,791</u>

In 1997, the School District issued general obligations bonds in the amount of \$3,174,989 for the purpose of refunding school improvement bonds. These bonds are backed by the full faith and credit of the School District. The bonds will mature in June, 2015.

On November 11, 2000, voters approved a Franklin Public Library bond issue for .72 mills. The bond issue raised \$3,000,000 at an average 5.3185% interest for the purpose of constructing a new public library building. During fiscal year 2008, a portion of this bond was advance refunded.

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

NOTE 12 - LONG-TERM OBLIGATIONS (continued)

On August 4, 2010, the School District issued \$959,000 in energy conservation bonds at a 5.5% interest rate. The term bonds are qualified school construction bonds – direct payment where the School District will receive a yearly subsidy reducing the interest costs over the life of the bonds by \$723,975. The School District is required to pay \$63,933 annually into a sinking fund for when the bonds term bonds mature on December 1, 2024. Energy conservation measures include a retrofit of lights, boilers and chillers at the high school. The annual anticipated savings from the energy conservation measures is \$62,751.

On July 17, 2007, the School District issued Library Improvement Refunding bonds. \$980,000 is serial bonds with interest rates ranging from 4% to 4.2% with a final maturity on December 1, 2018. \$1,295,000 is term bonds with an interest rate of 4.35% maturing December 1, 2030. \$79,997 is capital appreciation bonds (maturity amount of \$135,000 on December 1, 2019 and 2022 and \$140,000 on December 1, 2020 and 2021). The capital appreciation bonds were accreted \$27,296 in fiscal year 2014.

The term bonds are due December 1, 2030, are subject to mandatory sinking fund redemption as follows:

<u>Year</u>	<u>Amount to be Redeemed</u>
2023	\$140,000
2024	145,000
2025	155,000
2026	155,000
2027	165,000
2028	170,000
2029	180,000

Unless otherwise called for redemption, the remaining \$185,000 principal amount of the bonds due December 1, 2030 is to be paid December 1, 2030.

The school improvement refunding bonds and library bonds will be paid from the Bond Retirement Debt Service Fund. The energy conservation bonds will be paid from the General Fund. Compensated absences will be paid from the General Fund, Lunchroom Fund, IDEA-B Fund, Title I Fund, and the Fenwick Auxiliary Fund

The School District's voted legal debt margin was \$36,088,971, energy conservation debt margin of \$2,833,278, and an un-voted debt margin of \$392,950 at June 30, 2014.

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

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

NOTE 12 - LONG-TERM OBLIGATIONS (continued)

Fiscal Year Ending June 30,	School Improvement & Library Bonds			Energy Conservation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$211,572	\$262,365	\$473,937	\$63,933	\$52,745	\$116,678
2016	120,000	74,237	194,237	63,933	52,745	116,678
2017	120,000	69,378	189,378	63,933	52,745	116,678
2018	125,000	64,355	189,355	63,933	52,745	116,678
2019	130,000	59,062	189,062	63,933	52,745	116,678
2020-2024	690,000	278,619	968,619	319,670	263,730	583,400
2025-2029	790,000	167,910	957,910	63,933	26,372	90,305
2030-2031	365,000	15,986	380,986	0	0	0
Total	<u>\$2,551,572</u>	<u>\$991,912</u>	<u>\$3,543,484</u>	<u>\$703,268</u>	<u>\$553,827</u>	<u>\$1,257,095</u>

NOTE 13 – FUND BALANCE

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

<u>Fund Balance</u>	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:			
Inventory	\$ -	\$ 16,011	\$ 16,011
Restricted for:			
Food Service	-	252,862	252,862
Athletics	-	78,271	78,271
Debt Service	-	820,079	820,079
State and Federal Grants	-	451,885	451,885
Total Restricted	<u>-</u>	<u>1,603,097</u>	<u>1,603,097</u>
Committed to:			
Permanent Improvements	-	772,191	772,191
Assigned for:			
Capital Improvements	-	1,000	1,000
Unpaid Obligations	58,811	-	58,811
Public School Supprt	63,804	-	63,804
Total Assigned	<u>122,615</u>	<u>1,000</u>	<u>123,615</u>
Unassigned	485,235	-	485,235
Total Fund Balance	<u>\$ 607,850</u>	<u>\$ 2,392,299</u>	<u>\$ 3,000,149</u>

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

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS

Southwestern Ohio Computer Association (SWOCA)

The District is a participant in the Southwestern Ohio Computer Association (SWOCA), which is an information technology center which provides on-line computerized services to the member school districts. SWOCA provides services to the member school districts within the boundaries of Butler, Hamilton, Preble, and Warren Counties. 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 governing board of SWOCA consists of one representative from each of the participating members plus one representative from the fiscal agent. The School District paid SWOCA \$119,079 for services provided during the fiscal year. Financial information can be obtained from K. Michael Crumley, Executive Director of SWOCA at 3607 Hamilton-Middletown Road, Hamilton, Ohio 45011.

Warren County Career Center

The Warren County Career Center, a jointly governed organization, is a district political subdivision of the State of Ohio operated under the direction of a seven-member Board which possesses its own budgeting and taxing authority. The Board is appointed by Franklin, Kings, Lebanon, Little Miami, Springboro and Waynesville School Districts, one from each of the six districts and a seventh member from one of those districts in a rotation schedule. Accordingly, the Warren County Career Center is not part of the District and its operations are not included as part of the reporting entity. During fiscal year 2014, the School District paid \$3,870 to the Warren County Career Center. Financial information can be obtained from Karen R. Royer, Treasurer, at 3525 N. St. Rt. 48, Lebanon, Ohio 45036.

Southwestern Ohio Educational Purchasing Council

The School District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of 126 school districts in 18 counties. The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges or other assessments as established by the SOEPC. Each member district has one voting representative. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2014, the School District paid \$4,374,924 to SOEPC. To obtain financial information, write the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Vandalia, OH 45377.

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

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS (continued)

Southwestern Ohio Instructional Technology Association

The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-three representatives of SOITA member schools or institutions. Twenty-one representatives are elected from within the counties by the qualified members within the counties, i.e. Auglaize, Brown, Butler, Champaign, Clark, Clermont, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties shall elect two representatives per area. All others shall elect one representative per area.

All superintendents except for those from educational service centers vote on the representatives after the nomination committee nominates individuals to run. One at-large non-public representative shall be elected by the non-public school SOITA members as the State assigned SOITA service area representative. One at-large higher education representative shall be elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2014, the School District did not have any contributions to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Larry Pogue, who serves as Executive Director, at 150 East Sixth Street, Franklin, Ohio 45005.

NOTE 15 - INSURANCE PURCHASING POOL

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

The School District participates in the Southwestern Ohio Education Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by an eleven member Executive Committee consisting of the Chairperson, the Vice-Chairperson, a representative from the Montgomery County Educational Service Center and eight other members elected by majority vote of all member school districts. The Chief Administrator of GRP serves as the coordinator of the program. Each fiscal year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

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

NOTE 16 - CONTINGENCIES

A. Grants

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

B. Litigation

On September 23, 2013, the Board of Education approved a settlement agreement concerning Wal-Mart Tax Increment Financing (TIF) Service Payments. In April 2013, the School District had discovered that the County Auditor had mistakenly diverted more revenues into the City of Franklin's TIF than the City should have received. As a result, the School District received roughly \$330,000 less than it should have received. As part of the settlement agreement, the City will terminate all four of its existing TIF effective in late 2013. Thus beginning with tax year 2014, the School District will receive increased tax revenues that they otherwise would not have received. In addition, the County will divert approximately \$41,000 from a future City TIF distribution into a School District fund.

NOTE 17 – INTERFUND TRANSACTIONS

At June 30, 2014, the Race to the Top and Title II-A had an interfund payable of \$14,990 and \$3,825, respectively, to the General Fund. The receivable was a result of negative cash balances in the funds at fiscal year-end due to the timing of the receipt of grant dollars. The monies were repaid in fiscal year 2015 when grant dollars were received.

NOTE 18 – SET-ASIDE CALCULATIONS AND FUND RESERVES

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

The following cash basis information identifies the changes in the fund balance reserves for capital improvements during fiscal year 2014.

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

NOTE 18 – SET-ASIDE CALCULATIONS AND FUND RESERVES (continued)

	Capital Acquisitions
Set-aside Reserve Balance as of June 30, 2013	\$0
Current Year Set-aside Requirement	518,554
Offsets - Permanent Improvement Levy	(285,184)
Qualifying Disbursements	(274,098)
Totals	(\$40,728)
Set-aside Balances Carried Forward to Future Fiscal Years	\$0
Set-aside Reserve Balances as of June 30, 2014	\$0

The School District had qualifying disbursements during the fiscal year that reduced the capital acquisitions amounts below zero; however, this extra amount may not be used to reduce the set-aside requirement in future fiscal years.

NOTE 19 – DONOR RESTRICTED ENDOWMENTS

The School District’s private purpose trust funds include donor-restricted endowments. These assets are shown as net position held in trust for scholarships - non-expendable to represent the principal portion of the endowment. The amount of net appreciation in donor-restricted investments that is available for expenditures by the governing body is shown as net position held in trust for scholarships - expendable. State law permits the governing board to appropriate, for purposes consistent with the endowment’s intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowments of the private purpose funds indicate that the interest should be used to provide scholarships.

NOTE 20 – CHANGES IN ACCOUNTING PRINCIPLES AND PRIOR PERIOD ADJUSTMENT

For fiscal year 2014, the School District has implemented Governmental Accounting Standard Board (GASB) *Statement No. 70, “Accounting and Financial Reporting for Nonexchange Financial Guarantees.”* GASB *Statement No. 70* provides guidance for reporting financial guarantees that are nonexchange transactions extended or received by a state or local government. The implementation of this statement had no effect on the School District.

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

NOTE 21 – SUBSEQUENT EVENT

The School District assessed events occurring subsequent to June 30, 2014, to February 9, 2015, for potential recognition and disclosure in the financial statements. No events were identified that would require adjustment or disclosure in the financial statements.

**FRANKLIN CITY SCHOOL DISTRICT
WARREN COUNTY**

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

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education</i>						
Child Nutrition Cluster:						
Non-Cash Assistance (Food Distribution):						
National School Lunch Program	2014	10.555		\$55,228		\$55,228
Cash Assistance:						
National School Breakfast Program	2014	10.553	\$155,898	0	\$155,898	0
National School Lunch Program	2014	10.555	545,343	0	545,343	0
Total Child Nutrition Cluster			<u>701,241</u>	<u>55,228</u>	<u>701,241</u>	<u>55,228</u>
Total U.S. Department of Agriculture			<u>701,241</u>	<u>55,228</u>	<u>701,241</u>	<u>55,228</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education</i>						
Special Education Cluster:						
Special Education Grants to States	2014	84.027	672,688	0	667,705	0
Special Education Grants to States	2013	84.027	43,057	0	41,788	0
Total Special Education Grants to States			<u>715,745</u>	<u>0</u>	<u>709,493</u>	<u>0</u>
Special Education - Preschool Grants	2014	84.173	797	0	0	0
Special Education - Preschool Grants	2013	84.173	(797)	0	5,435	0
Total Special Education - Preschool Grants				<u>0</u>	<u>5,435</u>	<u>0</u>
Total Special Education Cluster			<u>715,745</u>	<u>0</u>	<u>714,928</u>	<u>0</u>
Title I Grants to Local Educational Agencies	2014	84.010	510,014	0	501,832	0
Title I Grants to Local Educational Agencies	2013	84.010	109,027	0	90,472	0
Total Title I Grants to Local Educational Agencies			<u>619,041</u>	<u>0</u>	<u>592,304</u>	<u>0</u>
Title II-A Improving Teacher Quality State Grants	2014	84.367	127,072	0	130,889	0
Title II-A Improving Teacher Quality State Grants	2013	84.367	19,855	0	21,511	0
Total Title II-A Improving Teacher Quality State Grants			<u>146,927</u>	<u>0</u>	<u>152,400</u>	<u>0</u>
ARRA-Race to the Top	2014	84.395	46,444	0	61,433	0
ARRA-Race to the Top	2013	84.395	17,316	0	19,405	0
Total ARRA-Race to the Top			<u>63,760</u>	<u>0</u>	<u>80,838</u>	<u>0</u>
Total U.S. Department of Education			<u>1,545,473</u>	<u>0</u>	<u>1,540,470</u>	<u>0</u>
Total Federal Awards			<u>\$2,246,714</u>	<u>\$55,228</u>	<u>\$2,241,711</u>	<u>\$55,228</u>

The accompanying notes are an integral part of this schedule.

**FRANKLIN CITY SCHOOL DISTRICT
WARREN COUNTY**

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The District transferred the following amounts from 2013 to 2014 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2013 to 2014</u>
Special Education - Preschool Grants	84.173	\$797



Dave Yost • Auditor of State

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

Franklin City School District
Warren County
150 East Sixth Street
Franklin, Ohio 45005

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Franklin City School District, Warren County, (the School District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 9, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Dave Yost
Auditor of State

Columbus, Ohio

February 9, 2015



Dave Yost • Auditor of State

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

Franklin City School District
Warren County
150 East Sixth Street
Franklin, Ohio 45005

To the Board of Education:

Report on Compliance for the Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the School District's compliance for the 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 School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the Franklin City 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 year ended June 30, 2014.

Report on Internal Control Over Compliance

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



Dave Yost
Auditor of State

Columbus, Ohio

February 9, 2015

**FRANKLIN CITY SCHOOL DISTRICT
WARREN COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education CFDA # 84.027, 84.173
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

This page intentionally left blank.



Dave Yost • Auditor of State

FRANKLIN CITY SCHOOL DISTRICT

WARREN 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
FEBRUARY 24, 2015**