



Mary Taylor, CPA
Auditor of State

**FRANKLIN LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	13
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	15
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis) - General Fund.....	17
Statement of Fund Net Assets - Internal Service Fund	18
Statement of Revenues, Expenses and Changes in Fund Net Assets - Internal Service Fund	19
Statement of Cash Flows - Internal Service Fund	20
Statement of Fiduciary Net Assets - Fiduciary Funds.....	21
Statement of Changes in Fiduciary Net Assets - Private Purpose Trust Fund.....	22
Notes to the Basic Financial Statements	23
Federal Awards Receipts and Expenditures Schedule.....	53
Notes to Federal Awards Receipts and Expenditures Schedule	54
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	55
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.....	57
Schedule of Findings - OMB Circular A-133 § .505.....	59
Independent Accountants' Report on Applying Agreed-Upon Procedures.....	61

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, the major fund, and the aggregate remaining fund information of Franklin Local School District, Muskingum County, Ohio (the School District), as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, the major fund, and the aggregate remaining fund information of Franklin Local School District, Muskingum County, Ohio, as of June 30, 2009, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2009, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements. The Federal Awards Receipts and Expenditures Schedule is required by 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 basic financial statements. We subjected the Federal Awards Receipts and Expenditures Schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

November 12, 2009

Franklin Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2009

Unaudited

The discussion and analysis of the Franklin Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2009 are as follows:

- Net assets of governmental activities decreased \$1,114,783.
- General revenues accounted for \$17,719,143 in revenue or 78 percent of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$4,873,448 or 22 percent of total revenues of \$22,592,591.
- The School District had \$23,707,374 in expenses related to governmental activities; only \$4,873,448 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues of \$17,719,143 were not adequate to provide for these programs.
- The School District's major fund is the General Fund. The General Fund had \$18,359,908 in revenues and \$18,276,423 in expenditures. The General Fund's balance decreased \$113,415.

Using this Annual Financial Report

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

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

Franklin Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2009?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major fund begins on page 8. Fund financial reports provide detailed information about the School District's major fund. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's only major governmental fund is the General Fund.

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

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

Franklin Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
 Unaudited

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

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2009 compared to 2008.

Table 1
Net Assets

	Governmental Activities		
	2009	2008	Change
Assets			
Current and Other Assets	\$16,251,955	\$15,664,216	\$587,739
Capital Assets	40,944,950	42,815,182	(1,870,232)
Total Assets	57,196,905	58,479,398	(1,282,493)
Liabilities			
Long-term Liabilities	8,156,269	8,523,109	(366,840)
Other Liabilities	7,711,817	7,512,687	199,130
Total Liabilities	15,868,086	16,035,796	(167,710)
Net Assets			
Invested in Capital Assets, Net of Debt	34,487,557	36,127,224	(1,639,667)
Restricted	2,861,901	2,694,868	167,033
Unrestricted	3,979,361	3,621,510	357,851
Total Net Assets	\$41,328,819	\$42,443,602	(\$1,114,783)

Total assets of governmental activities decreased \$1,282,493. The majority of this decrease was due to the current year depreciation for fiscal year 2009 exceeding the value of assets that were purchased. This decrease was offset by increases in cash and cash equivalents in the amount of \$416,899 and an increase in property taxes receivable in the amount of \$152,309. The increase in property taxes receivable was due to an increase in the amounts certified to be collected by the individual County Auditors. Total liabilities decreased \$167,710. Most of the decrease is attributed to a decrease in long-term liabilities and deferred revenue. Long-term liabilities decreased \$366,840 mainly due to the payment of debt and capital leases. The decrease of \$176,112 in deferred revenue was attributable to delinquent property taxes collections. These decreases were offset by an increase in accrued wages and benefits payable due to base and step increase of approximately 3.5 percent.

Franklin Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
 Unaudited

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2009, and comparisons to fiscal year 2008.

Table 2
 Changes in Net Assets

	Governmental Activities		Change
	2009	2008	
Revenues			
Program Revenues			
Charges for Services	\$1,595,048	\$1,412,354	\$182,694
Operating Grants, Contributions and Interest	3,215,628	3,314,493	(98,865)
Capital Grants and Contributions	62,772	31,712	31,060
Total Program Revenues	<u>4,873,448</u>	<u>4,758,559</u>	<u>114,889</u>
General Revenues			
Property Taxes	4,721,695	3,073,109	1,648,586
Grants and Entitlements	12,647,434	12,570,352	77,082
Investment Earnings	344,351	454,509	(110,158)
Payment in Lieu of Taxes	0	4,295	(4,295)
Gain on Sale of Capital Assets	4,100	0	4,100
Miscellaneous	1,563	63,088	(61,525)
Total General Revenues	<u>17,719,143</u>	<u>16,165,353</u>	<u>1,553,790</u>
Total Revenues	<u>22,592,591</u>	<u>20,923,912</u>	<u>1,668,679</u>
Program Expenses			
Instruction:			
Regular	10,693,126	10,625,869	67,257
Special	2,478,151	2,526,200	(48,049)
Vocational	193,392	183,880	9,512
Intervention	337,145	319,298	17,847
Support Services:			
Pupil	777,584	799,323	(21,739)
Instructional Staff	1,170,932	1,256,937	(86,005)
Board of Education	105,952	156,572	(50,620)
Administration	1,444,912	1,408,651	36,261
Fiscal	390,361	405,859	(15,498)
Operation and Maintenance of Plant	2,211,566	2,620,655	(409,089)
Pupil Transportation	1,580,843	1,664,695	(83,852)
Central	128,895	197,006	(68,111)
Operation of Non-Instructional Services:			
Food Service Operations	1,341,210	1,319,324	21,886
Community Services	47,841	0	47,841
Other Non-Instructional Services	6,628	6,580	48
Extracurricular Activities	462,051	456,184	5,867
Interest and Fiscal Charges	336,785	348,489	(11,704)
Total Expenses	<u>23,707,374</u>	<u>24,295,522</u>	<u>(588,148)</u>
Decrease in Net Assets	(1,114,783)	(3,371,610)	2,256,827
Net Assets Beginning of Year	42,443,602	45,815,212	(3,371,610)
Ending Net Assets	<u>\$41,328,819</u>	<u>\$42,443,602</u>	<u>(\$1,114,783)</u>

Franklin Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2009

Unaudited

Net assets decreased \$1,114,783. Revenues reflect an increase of \$1,668,679 due mainly to an increase in charges for services in the amount of \$182,694 due mainly to an increase in tuition revenues because of open enrollment increases, an increase in property tax revenues in the amount of \$1,648,586, a decrease in operating grants and contributions in the amount of \$98,865 and a decrease in investment earnings in the amount of \$110,158. Property tax revenues increased due to the County Auditor moving the tax collection due date back nearly one month to July 30 in calendar year 2008, and therefore increasing the amount of revenue being collected during fiscal year 2009. In previous years the collection date was in June. Investment earnings decreased due to the lower interest rates for investments as a result of the economic conditions of fiscal year 2009. Operation and maintenance of plant expenses decreased significantly due to cost saving measures which include the installation of electronic controls on the HVAC systems in the school buildings that has resulted in lower electric bills. In addition, there was a drop in natural gas rates during fiscal year 2009 that resulted in savings of approximately \$14,000, and the remainder of the decrease was a result of the costs associated with the building project that was completed in fiscal year 2008.

The DeRolph III decision has not eliminated the dependence on property taxes. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. Inflation alone will not increase the amount of funds generated by a tax levy. Basically, the mills collected decreases as the property valuation increases thus generating about the same revenue. Property taxes made up approximately 21% of revenues for governmental activities for the School District in fiscal year 2009.

Instruction comprises approximately 58 percent of governmental program expenses.

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

Franklin Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
 Unaudited

Table 3
 Governmental Activities

	<u>Total Cost of Services</u> 2009	<u>Net Cost of Services</u> 2009	<u>Total Cost of Services</u> 2008	<u>Net Cost of Services</u> 2008
Program Expenses				
Instruction:				
Regular	\$10,693,126	\$9,399,632	\$10,625,869	\$9,413,983
Special	2,478,151	656,111	2,526,200	682,508
Vocational	193,392	139,593	183,880	124,181
Intervention	337,145	337,145	319,298	319,298
Support Services:				
Pupil	777,584	763,828	799,323	735,504
Instructional Staff	1,170,932	1,120,197	1,256,937	1,223,787
Board of Education	105,952	105,952	156,572	156,572
Administration	1,444,912	1,422,364	1,408,651	1,375,465
Fiscal	390,361	299,452	405,859	328,310
Operation and Maintenance of Plant	2,211,566	2,097,577	2,620,655	2,531,997
Pupil Transportation	1,580,843	1,473,666	1,664,695	1,582,718
Central	128,895	107,092	197,006	173,791
Operation of Non-Instructional Services:				
Food Service Operations	1,341,210	218,131	1,319,324	210,114
Community Services	47,841	5,522	0	0
Other	6,628	6	6,580	779
Extracurricular Activities	462,051	350,873	456,184	329,467
Interest and Fiscal Charges	336,785	336,785	348,489	348,489
Total	<u><u>\$23,707,374</u></u>	<u><u>\$18,833,926</u></u>	<u><u>\$24,295,522</u></u>	<u><u>\$19,536,963</u></u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent. For fiscal year 2009, approximately 77 percent of instruction activities were supported through taxes and other general revenues.

The School District's Major Fund

The School District's major fund is accounted for using the modified accrual basis of accounting. The General Fund had total revenues of \$18,359,908 and expenditures of \$18,276,423.

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.

Franklin Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
 Unaudited

During the course of fiscal 2009, the School District amended its General Fund budget, but only slightly between line items and not in total. The School District uses a building budget technique which is designed to control building budgets but provide flexibility for building management. For the General Fund, original and final budgeted revenue was \$18,188,475. The General Fund actual revenues were \$18,306,073, which was higher than the budgeted revenues. This was primarily due to receiving more tax, interest, and tuition revenue than anticipated due to the increased property tax collection, the number of additional students, and interest rates generating higher revenues than projected. The General Fund had final appropriations of \$19,678,614. This was \$1,288,776 above actual expenditures of \$18,389,838. This is due to the School District budgeting for contingencies and monitoring expenditures to keep them under budget. The School District's ending General Fund balance was \$4,576,274.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2009, the School District had \$40,944,950 invested in land, improvements, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal year 2009 balances compared to 2008.

Table 4
 Capital Assets, Net of Depreciation

	Governmental Activities	
	2009	2008
Land	\$1,122,451	\$1,122,451
Land Improvements	1,963,358	2,074,101
Buildings and Improvements	36,294,458	37,947,578
Furniture and Equipment	1,060,557	1,183,762
Vehicles	504,126	487,290
Totals	\$40,944,950	\$42,815,182

See Note 9 to the basic financial statements for more information on capital assets.

Debt

At June 30, 2009, the School District had \$6,715,418 in bonds, notes, and capital leases outstanding. Due to the financial stability of the School District, being able to obtain municipal bond insurance, and participating in the Ohio School District Credit Enhancement Program, the School District received a Moody's bond rating of Aa3.

Moody's downgraded their rating of Financial Guaranty Insurance Company (FGIC), the School District's bond insurer, four times in 2008 and on March 24, 2009 downgraded FGIC to Caa3 and will withdraw ratings. However, The Ohio School District Credit Enhancement Program rating on the bonds from Moody's was unaffected and remains at Aa3. See Note 15 to the basic financial statements for more information.

Franklin Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
 Unaudited

Table 5
 Outstanding Debt, at Fiscal Year End

	Governmental Activities	
	2009	2008
2004 School Building Construction Refunding Bonds	\$2,160,379	\$2,390,059
2004 School Building General Obligation Construction Bonds	2,806,529	2,887,753
1996 School Construction General Obligation Bonds	1,170,000	1,170,000
2001 Energy Conservation Notes	430,000	490,000
Capital Leases	148,510	187,253
Totals	\$6,715,418	\$7,125,065

See Note 15 to the basic financial statements for more information on debt.

Economic Factors

Over the past 18 years, the School District has remained in a stable financial position and has increased its cash balance carry-over. Approximately 95 percent of the School District is in Muskingum County and the remaining 5 percent is in Perry County. Muskingum County went through a property valuation reappraisal in calendar year 2006. The combination of this valuation update and the loss of personal property valuation due to House Bill 66 phasing our personal property valuations resulted in the School District's property valuation increasing by approximately 15 percent. Due to the reduction in housing values in fiscal year 2009, we are projecting no or minimal increases in future property valuations. The one exception to this is in the public utility personal property values. A natural gas distribution pipeline and compressor station is being constructed within the School District thus increasing the assessed value in fiscal year 2012. Although we are uncertain of the amount, the pipeline company has represented the value of the compressor station to be approximately forty million dollars. The School District also experienced a decrease in enrollment in fiscal year 2009 and is projecting future decreases in enrollment. Due to these possible future reductions in funding, at the end of fiscal year 2009, the School District consolidated classes, eliminated four teaching positions and did not fill three non-teaching positions. In fiscal year 2010, the State of Ohio is implementing a new school funding methodology with evidence based on components. This funding is being phased in and increases are currently limited to .75 percent. Due to both the Federal and State economy, there are concerns about future State education funding. The Board of Education and administration of the School District must maintain prudent financial management in order to preserve financial stability.

Contacting the School District's Financial Management

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

Franklin Local School District, Ohio

Statement of Net Assets

June 30, 2009

	Primary Government Governmental Activities	Component Unit Franklin Local Community School
Assets		
Equity in Pooled Cash and Cash Equivalents	\$10,070,241	\$208,341
Cash in Segregated Accounts	168	0
Accrued Interest Receivable	18,694	0
Materials and Supplies Inventory	22,653	0
Intergovernmental Receivable	519,206	38,610
Prepaid Items	73,890	0
Accounts Receivable	31,704	0
Due from Component Unit	94,891	0
Property Taxes Receivable	5,313,858	0
Payment in Lieu of Taxes Receivable	15,007	0
External Party Receivable	23	0
Deferred Charges	91,620	0
Nondepreciable Capital Assets	1,122,451	0
Depreciable Capital Assets, Net	39,822,499	52,164
<i>Total Assets</i>	57,196,905	299,115
Liabilities		
Accounts Payable	157,537	43,505
Accrued Wages and Benefits Payable	2,305,948	0
Matured Sick Leave Benefits Payable	127,260	0
Due to Primary Government	0	94,891
Vacation Benefits Payable	59,186	0
Deferred Revenue	4,036,593	0
Intergovernmental Payable	551,429	22
External Party Payable	1,381	0
Accrued Interest Payable	24,483	0
Claims Payable	448,000	0
Long-Term Liabilities:		
Due Within One Year	460,417	0
Due In More Than One Year	7,695,852	0
<i>Total Liabilities</i>	15,868,086	138,418
Net Assets		
Invested in Capital Assets, Net of Related Debt	34,487,557	52,164
Restricted for:		
Capital Projects	1,610,687	0
Debt Service	717,978	0
Bus Purchase	39,012	0
Unclaimed Monies	2,744	0
Other Purposes	491,480	0
Unrestricted	3,979,361	108,533
<i>Total Net Assets</i>	\$41,328,819	\$160,697

See accompanying notes to the basic financial statements

Franklin Local School District, Ohio

*Balance Sheet
Governmental Funds
June 30, 2009*

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$5,269,499	\$3,041,570	\$8,311,069
Cash in Segregated Accounts	0	168	168
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	41,756	0	41,756
Receivables:			
Property Taxes	4,310,513	1,003,345	5,313,858
Payment in Lieu of Taxes	12,468	2,539	15,007
Accounts	26,589	5,115	31,704
Intergovernmental	28,855	490,351	519,206
Interfund	71,641	641	72,282
External Party Receivable	0	23	23
Accrued Interest	18,320	374	18,694
Due from Component Unit	94,447	444	94,891
Prepaid Items	72,514	1,376	73,890
Materials and Supplies Inventory	7,839	14,814	22,653
<i>Total Assets</i>	<u>\$9,954,441</u>	<u>\$4,560,760</u>	<u>\$14,515,201</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$55,853	\$56,684	\$112,537
Interfund Payable	181	72,101	72,282
External Party Payable	0	1,381	1,381
Accrued Wages and Benefits Payable	2,062,760	243,188	2,305,948
Intergovernmental Payable	425,662	125,767	551,429
Matured Sick Leave Benefits Payable	127,260	0	127,260
Deferred Revenue	4,230,983	1,218,139	5,449,122
<i>Total Liabilities</i>	<u>6,902,699</u>	<u>1,717,260</u>	<u>8,619,959</u>
Fund Balances			
Reserved for Encumbrances	213,159	307,203	520,362
Reserved for Property Taxes	131,631	27,580	159,211
Reserved for Bus Purchase	39,012	0	39,012
Reserved for Unclaimed Monies	2,744	0	2,744
Unreserved, Undesignated, Reported in:			
General Fund	2,665,196	0	2,665,196
Special Revenue Funds	0	424,731	424,731
Debt Service Fund	0	682,255	682,255
Capital Projects Funds	0	1,401,731	1,401,731
<i>Total Fund Balances</i>	<u>3,051,742</u>	<u>2,843,500</u>	<u>5,895,242</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$9,954,441</u>	<u>\$4,560,760</u>	<u>\$14,515,201</u>

See accompanying notes to the basic financial statements

Franklin Local School District, Ohio
*Reconciliation of Total Governmental Fund Balances To
 Net Assets of Governmental Activities
 June 30, 2009*

Total Governmental Fund Balances		\$5,895,242
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		40,944,950
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes Receivable	1,118,054	
Grants Receivable	239,560	
Student Fees Receivable	26,321	
Accrued Interest Receivable	13,587	
Payment in Lieu of Taxes Receivable	15,007	1,412,529
 An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal fund are included in governmental activities in the statement of net assets.		 1,224,416
 Vacation Benefits Payable is recognized for earned vacation benefits that are not expected to be paid with expendable available financial resources and therefore are not reported in the funds.		 (59,186)
 Unamortized issuance costs represent deferred charges which do not provide current financial resources and therefore, are not reported in the funds.		 91,620
 Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Accrued Interest Payable	(24,483)	
School Improvement Bonds Payable	(6,136,908)	
Energy Conservation Notes Payable	(430,000)	
Capital Leases Payable	(148,510)	
Sick Leave Benefits Payable	(1,440,851)	(8,180,752)
 Net Assets of Governmental Activities		 <u><u>\$41,328,819</u></u>

See accompanying notes to the basic financial statements

Franklin Local School District, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2009

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$3,586,933	\$850,944	\$4,437,877
Intergovernmental	13,427,425	2,471,441	15,898,866
Investment Earnings	331,039	18,801	349,840
Charges for Services	0	445,686	445,686
Tuition and Fees	1,003,454	28,718	1,032,172
Gifts and Donations	4,691	2,042	6,733
Extracurricular Activities	0	110,397	110,397
Payment in Lieu of Taxes	5,011	983	5,994
Miscellaneous	1,355	208	1,563
<i>Total Revenues</i>	<u>18,359,908</u>	<u>3,929,220</u>	<u>22,289,128</u>
Expenditures			
Current:			
Instruction:			
Regular	9,520,151	330,816	9,850,967
Special	1,250,848	1,075,336	2,326,184
Vocational	196,454	0	196,454
Intervention	181,119	157,603	338,722
Support Services:			
Pupil	715,217	18,013	733,230
Instructional Staff	906,272	58,448	964,720
Board of Education	105,952	0	105,952
Administration	1,383,596	19,990	1,403,586
Fiscal	364,809	19,374	384,183
Operation and Maintenance of Plant	1,641,264	149,183	1,790,447
Pupil Transportation	1,545,271	46,065	1,591,336
Central	94,847	30,018	124,865
Operation of Non-Instructional Services:			
Food Service Operations	2,466	1,144,330	1,146,796
Community Services	0	47,841	47,841
Other Non-Instructional Services	0	6,628	6,628
Extracurricular Activities	316,974	119,475	436,449
Capital Outlay	0	311,762	311,762
Debt Service:			
Principal Retirement	38,743	380,000	418,743
Interest and Fiscal Charges	12,440	310,546	322,986
<i>Total Expenditures</i>	<u>18,276,423</u>	<u>4,225,428</u>	<u>22,501,851</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>83,485</u>	<u>(296,208)</u>	<u>(212,723)</u>
Other Financing Sources (Uses)			
Transfers In	0	201,000	201,000
Proceeds from Sale of Capital Assets	4,100	0	4,100
Transfers Out	(201,000)	0	(201,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(196,900)</u>	<u>201,000</u>	<u>4,100</u>
<i>Net Change in Fund Balance</i>	<u>(113,415)</u>	<u>(95,208)</u>	<u>(208,623)</u>
<i>Fund Balances Beginning of Year</i>	<u>3,165,157</u>	<u>2,938,708</u>	<u>6,103,865</u>
<i>Fund Balances End of Year</i>	<u>\$3,051,742</u>	<u>\$2,843,500</u>	<u>\$5,895,242</u>

See accompanying notes to the basic financial statements

Franklin Local School District, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2009*

Net Change in Fund Balances - Total Governmental Funds (208,623)

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

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

Capital Asset Additions	171,746	
Depreciation Expense	<u>(2,041,978)</u>	(1,870,232)

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

Grants	1,159	
Student Fees	6,793	
Delinquent Taxes	283,818	
Accrued Interest	13,587	
Payment in Lieu of Taxes	<u>(5,994)</u>	299,363

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 380,000

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

Capital Appreciation Bond Premium	17,628	
Accrued Interest Payable	792	
Amortization of Discount	(670)	
Amortization of Serial Premium	15,843	
Amortization of Deferred Amount on Refunding	(22,692)	
Annual Accretion	(19,205)	
Amortization of Issuance Costs	<u>(5,495)</u>	(13,799)

Repayment of capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement on net assets. 38,743

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. 305,730

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

Vacation Benefits Payable	(3,158)	
Sick Leave Benefits Payable	<u>(42,807)</u>	<u>(45,965)</u>

Change in Net Assets of Governmental Activities (\$1,114,783)

See accompanying notes to the basic financial statements

Franklin Local School District, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2009

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	\$3,443,057	\$3,443,057	\$3,549,450	\$106,393
Intergovernmental	13,600,418	13,600,418	13,414,252	(186,166)
Investment Earnings	277,500	277,500	327,059	49,559
Tuition and Fees	858,900	858,900	1,003,823	144,923
Gifts and Donations	3,200	3,200	4,691	1,491
Payment in Lieu of Taxes	3,600	3,600	5,011	1,411
Miscellaneous	1,800	1,800	1,787	(13)
<i>Total Revenues</i>	<u>18,188,475</u>	<u>18,188,475</u>	<u>18,306,073</u>	<u>117,598</u>
Expenditures				
Current:				
Instruction:				
Regular	9,809,224	9,809,224	9,465,568	343,656
Special	1,505,619	1,505,619	1,253,502	252,117
Vocational	196,700	196,700	181,862	14,838
Intervention	75,337	75,337	140,574	(65,237)
Support Services:				
Pupil	776,790	776,790	757,141	19,649
Instructional Staff	915,086	915,186	906,579	8,607
Board of Education	130,434	130,434	111,706	18,728
Administration	1,402,627	1,402,627	1,336,718	65,909
Fiscal	413,036	413,036	371,095	41,941
Operation and Maintenance of Plant	2,330,001	2,330,001	1,883,740	446,261
Pupil Transportation	1,831,195	1,618,095	1,562,391	55,704
Central	179,513	179,513	106,298	73,215
Operation of Non-Instructional Services	0	0	0	0
Extracurricular Activities	326,052	326,052	312,664	13,388
<i>Total Expenditures</i>	<u>19,891,614</u>	<u>19,678,614</u>	<u>18,389,838</u>	<u>1,288,776</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(1,703,139)</u>	<u>(1,490,139)</u>	<u>(83,765)</u>	<u>1,406,374</u>
Other Financing Source (Uses)				
Refund of Prior Year Expenditures	500	500	23	(477)
Refund of Prior Year Receipts	(2,000)	(2,000)	0	2,000
Advance Out	0	(3,000)	(3,000)	0
Transfers Out	0	(210,000)	(201,000)	9,000
<i>Total Other Financing Source (Uses)</i>	<u>(1,500)</u>	<u>(214,500)</u>	<u>(203,977)</u>	<u>10,523</u>
<i>Net Change in Fund Balance</i>	<u>(1,704,639)</u>	<u>(1,704,639)</u>	<u>(287,742)</u>	<u>1,416,897</u>
<i>Fund Balance Beginning of Year</i>	4,438,924	4,438,924	4,438,924	0
Prior Year Encumbrances Appropriated	425,092	425,092	425,092	0
<i>Fund Balance End of Year</i>	<u>\$3,159,377</u>	<u>\$3,159,377</u>	<u>\$4,576,274</u>	<u>\$1,416,897</u>

See accompanying notes to the basic financial statements

Franklin Local School District, Ohio

Statement of Fund Net Assets

Internal Service Fund

June 30, 2009

	<u>Medical-Dental Insurance</u>
Current Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,717,416</u>
Current Liabilities	
Accounts Payable	45,000
Claims Payable	<u>448,000</u>
<i>Total Liabilities</i>	<u>493,000</u>
Net Assets	
Unrestricted	<u><u>\$1,224,416</u></u>

See accompanying notes to the basic financial statements

Franklin Local School District, Ohio
*Statement of Revenues,
 Expenses and Changes in Fund Net Assets
 Internal Service Fund
 For the Fiscal Year Ended June 30, 2009*

	Medical-Dental Insurance
Operating Revenues	
Charges for Services	\$2,592,447
Operating Expenses	
Purchased Services	237,329
Claims	2,049,388
<i>Total Operating Expenses</i>	<i>2,286,717</i>
<i>Change in Net Assets</i>	<i>305,730</i>
<i>Net Assets Beginning of Year</i>	<i>918,686</i>
<i>Net Assets End of Year</i>	<i>\$1,224,416</i>

See accompanying notes to the basic financial statements

Franklin Local School District, Ohio

Statement of Cash Flows

Internal Service Fund

For the Fiscal Year Ended June 30, 2009

	<u>Medical-Dental Insurance</u>
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Transactions with Other Funds	\$2,592,447
Cash Payments to Suppliers for Services	(234,329)
Cash Payments for Claims	<u>(2,025,388)</u>
<i>Net Increase in Cash and Cash Equivalents</i>	332,730
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>1,384,686</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$1,717,416</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$305,730
Changes in Liabilities	
Increase in Accounts Payable	3,000
Increase in Claims Payable	<u>24,000</u>
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$332,730</u></u>

See accompanying notes to the basic financial statements

Franklin Local School District, Ohio

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2009

	Private Purpose Trust	
	Pletcher Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$16,648	\$31,561
Accrued Interest	27	0
External Party Receivable	0	1,381
	<hr/>	<hr/>
<i>Total Assets</i>	16,675	\$32,942
	<hr/>	<hr/>
Liabilities		
External Party Payable	0	\$23
Due to Students	0	32,919
	<hr/>	<hr/>
<i>Total Liabilities</i>	0	\$32,942
	<hr/>	<hr/>
Net Assets		
Endowments	14,000	
Held in Trust for Scholarships	2,675	
	<hr/>	
Total Net Assets	\$16,675	
	<hr/>	

See accompanying notes to the basic financial statements

Franklin Local School District, Ohio
Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2009

	Private Purpose Trust
	Pletcher Scholarship
Additions	
Interest	\$584
Deductions	
Scholarships	500
<i>Change in Net Assets</i>	84
<i>Net Assets Beginning of Year</i>	16,591
<i>Net Assets End of Year</i>	\$16,675

See accompanying notes to the basic financial statements

Franklin Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 1 - Description of the School District and Reporting Entity

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

The School District was established in 1827 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 210 square miles. It is located in Muskingum and Perry Counties, and includes the Villages of Philo and Roseville, the Townships of Salt Creek, Blue Rock, Brush Creek, Clay, Harrison, Meigs, and Wayne, and a portion of Rich Hill Township. The School District is staffed by 106 classified employees, 158 certificated full-time teaching personnel, and 11 administrative employees who provide services to 2,390 students and other community members. The School District currently operates five instructional buildings, one administrative building, and one garage.

Reporting Entity

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

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

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

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

Franklin Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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

The School District participates in three jointly governed organizations and three insurance purchasing pool. These organizations are the Ohio Mid-Eastern Regional Educational Service Agency, Mid-East Career and Technology Center, Coalition of Rural and Appalachian Schools, Ohio School Boards Association Workers' Compensation Group Rating Program, Schools of Ohio Risk Sharing Authority (SORSA), and the Ohio School Board Association's Insurance Trust. These organizations are presented in Notes 16 and 17 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities and to its proprietary fund provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis of Presentation

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

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

Franklin Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

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

B. Fund Accounting

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

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

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

Proprietary Fund Type Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds.

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

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

Franklin Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

C. Measurement Focus

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

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

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

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, 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.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes and grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Franklin Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, interest, tuition, grants, fees, and rentals.

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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

E. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, with the exception of a portion of classroom facilities construction monies, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During fiscal year 2009, investments were limited to nonnegotiable certificates of deposit, which are reported at cost and federal home loan bank notes, and federal national mortgage association notes, which are reported at fair value.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2009 amounted to \$331,039, which includes \$131,633 assigned from other School District funds.

The School District has a segregated bank account for student athletic activities. This depository account is presented as cash in segregated accounts since it is not deposited into the School District treasury.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

Franklin Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2009, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

G. Inventory

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

H. Capital Assets

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

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

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

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

I. Restricted Assets

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

Franklin Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means.

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

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

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

K. Accrued Liabilities and Long-term Obligations

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

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

L. Internal Activity

Transfers within governmental activities are eliminated on the government-wide statements.

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

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

Franklin Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

M. Fund Balance Reserves

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes, bus purchases, and unclaimed monies.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. Under Ohio law, unclaimed monies must be held for five years before it becomes available for appropriation. Monies not yet held for the five year period are presented as reserved.

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets 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 assets 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 assets restricted for other purposes include resources restricted for food service operations and local, federal, and state grants restricted to expenditure for specified purposes.

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

O. Operating Revenues and Expenses

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

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

Q. 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.

Franklin Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

R. Budgetary Process

All funds, other than 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 set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer maintains budgetary information at the fund, function and object level and has the authority to allocate appropriations at the function and object level without resolution by the Board.

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

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

Note 3 - Change in Accounting Principles

For fiscal year 2009, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations," Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments," and Statement No. 56, "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards."

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effect of existing pollution by participating in pollution remediation activities such as site assessments and cleanup. The implementation of this statement did not result in any change to the School District's financial statements.

GASB Statement No. 52 establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments are also required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value. The implementation of this statement did not result in any change in the School District's financial statements.

Franklin Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB authoritative literature. The GAAP hierarchy consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 56 incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants' and auditing literature into the GASB's accounting and financial reporting literature for state and local governments. The statement's guidance addresses related party transactions, going concern considerations, and subsequent events from the AICPA literature. The implementation of this statement did not result in any change in the School District's financial statements.

Note 4 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Unreported items represent amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.

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

Franklin Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Net Change in Fund Balance

GAAP Basis	(\$113,415)
Net Adjustment for Revenue Accruals	33,003
Prepaid Items:	
Beginning of Fiscal Year	68,853
End of Fiscal Year	(72,514)
Unreported Items:	
Beginning of Fiscal Year	348,133
End of Fiscal Year	(434,948)
Net Adjustment for Expenditure Accruals	186,179
Advances Out	(3,000)
Adjustment for Encumbrances	<u>(300,033)</u>
Budget Basis	<u><u>(\$287,742)</u></u>

Note 5 - Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States;

Franklin Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations describe in division (1) or (2) above;
7. The State Treasurer’s investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$6,689,913 of the School District’s bank balance of \$9,033,635 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Investments As of June 30, 2009, the School District had the following investments. All investments are in an internal investment pool.

	Fair Value	Maturity
Federal Home Loan Bank Note	\$509,845	6/11/2012
Federal National Mortgage Association Note	316,689	3/27/2013
Total	\$826,534	

Franklin Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Interest Rate Risk

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

Credit Risk

The Federal Home Loan Bank Note and the Federal National Mortgage Association Note carry a rating of Aaa by Moody's. The School District has no investment policy that addresses credit risk.

Concentration of Credit Risk

The School District places no limit on the amount it may invest in any one issuer. Of the School District's total investments, 62% is invested in Federal Home Loan Bank Notes and 38% is invested in Federal National Mortgage Association Notes.

Note 6 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2009 represents collections of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed value listed as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2009 represents collections of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien December 31, 2007, were levied after April 1, 2008 and are collected in 2009 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2009 (other than public utility property) represents the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for the general personal property taxes. Tangible personal property taxes received for the telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008.

Franklin Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30. The School District received its June 2009 property tax settlement by June 30, 2009.

The School District receives property taxes from Muskingum and Perry Counties. The County Auditors periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2009, are available to finance fiscal year 2009 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents the late personal property tax settlement, real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2009, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed settlement of personal property tax and the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred. The amount available as an advance at June 30, 2009, was \$159,211 and is recognized as revenue: \$131,631 in the General Fund, \$2,524 in the Classroom Facility Maintenance Special Revenue Fund, \$20,201 in the Debt Service Fund, and \$4,855 in the Permanent Improvement Capital Projects Fund. The amount available as an advance at June 30, 2008, was \$114,607 and is recognized as revenue: \$94,148 in the General Fund, \$1,866 in the Classroom Facility Maintenance Special Revenue Fund, \$15,257 in the Debt Service Fund, and \$3,336 in the Permanent Improvement Capital Projects Fund.

The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008 Second- Half Collections		2009 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$176,707,920	89.09%	\$177,971,170	89.89%
Public Utility Personal	17,888,130	9.02%	17,990,420	9.09%
Tangible Personal Property	3,745,455	1.89%	2,022,900	1.02%
Total	\$198,341,505	100.00%	\$197,984,490	100.00%
Tax Rate per \$1,000 of assessed valuation	\$37.60		\$37.60	

Franklin Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 7 - Receivables

Receivables at June 30, 2009, consisted of property taxes, accounts (student fees), accrued interest, payments in lieu of taxes, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables except for property taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Governmental Activities	
School Lunch Reimbursement	\$18,247
Perry County - 1st Half Homestead & Rollback	283
State Foundation - Personal Property Re-calculation	26,850
Early Childhood Education	95,052
Idea Part B	187,920
Title I	140,711
Title V - Innovative Programs	1,594
Safe and Drug Free	2,576
Title II-A	39,708
Title II-D	4,493
Other	1,772
Total	<u><u>\$519,206</u></u>

Franklin Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 8 - Interfund Transfers and Balances

Interfund balances at June 30, 2009, consist of the following individual fund receivables and payables:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Governmental Funds:		
General Fund	\$71,641	\$181
Other Nonmajor Governmental Funds:		
Public School Support	0	460
Athletic & Music	460	0
EMIS Grant	0	6,803
Early Childhood Education Grant	0	29,720
Miscellaneous State Grants	0	5,774
Title I	0	13,421
Drug Free Schools Grant	0	5,274
Title II-A	0	7,649
Sam Hatfield Stadium Improvement	0	3,000
Lunchroom	181	0
Total Other Nonmajor Governmental Funds	<u>641</u>	<u>72,101</u>
Total All Funds	<u><u>\$72,282</u></u>	<u><u>\$72,282</u></u>

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

Interfund balances at June 30, 2009, consisted of the General Fund owing the Lunchroom Special Revenue Fund \$181 for food served at a banquet and meeting.

The District transferred \$201,000 from the General Fund to the Permanent Improvement Capital Projects Fund for the purchase of textbooks for the District.

Franklin Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance 6/30/2008	Additions	Deductions	Balance 6/30/2009
Capital Assets:				
Capital Assets not being depreciated:				
Land	\$1,122,451	\$0	\$0	\$1,122,451
Total Capital Assets not being Depreciated	1,122,451	0	0	1,122,451
Depreciable Capital Assets:				
Land Improvements	2,593,116	0	0	2,593,116
Buildings and Improvements	47,172,035	9,750	0	47,181,785
Furniture and Equipment	2,355,091	11,310	0	2,366,401
Vehicles	1,771,227	150,686	(91,177)	1,830,736
Total Capital Assets being Depreciated	53,891,469	171,746	(91,177)	53,972,038
Less Accumulated Depreciation				
Land Improvements	(519,015)	(110,743)	0	(629,758)
Buildings and Improvements	(9,224,457)	(1,662,870)	0	(10,887,327)
Furniture and Equipment	(1,171,329)	(134,515)	0	(1,305,844)
Vehicles	(1,283,937)	(133,850)	91,177	(1,326,610)
Total Accumulated Depreciation	(12,198,738)	(2,041,978)*	91,177	(14,149,539)
Total Capital Assets being Depreciated, Net	41,692,731	(1,870,232)	0	39,822,499
Capital Assets, Net	\$42,815,182	(\$1,870,232)	\$0	\$40,944,950

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,000,134
Special	202,121
Vocational	7,218
Support Services:	
Pupil	50,530
Instructional Staff	237,759
Administration	52,608
Fiscal	4,648
Operation and Maintenance of Plant	139,204
Pupil Transportation	146,765
Food Service Operations	174,600
Extracurricular Activities	26,391
Total Depreciation Expense	\$2,041,978

Franklin Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 10 - 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 2009, the School District contracted with Schools for Ohio Risk Sharing Authority for the insurance shown below.

Coverage provided is as follows:

Property and Inland Marine -replacement cost (\$1,000 deductible)	\$75,228,509
Automobile Liability (No deductible)	11,000,000
Uninsured Motorists (No deductible)	2,000,000
General Liability	
Per occurrence	11,000,000
Total per year	13,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from coverage in fiscal year 2008.

B. Worker's Compensation

For fiscal year 2009, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

C. Employee Medical Benefits

Medical/prescription drug/surgical and dental insurance are offered to employees through a self-insurance internal service fund. Monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The medical coverage premiums are \$488 monthly for single and \$1,335 monthly for family. The dental coverage premiums are \$30 monthly for single and \$68 for family. The claims liability of \$448,000 reported in the internal service fund at June 30, 2009, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. The School District purchases an aggregate stop-loss coverage policy in the amount of \$2,813,395 annually. In addition, the School District has contracted for an excess stop-loss coverage with a maximum allowable covered expense per individual of \$100,000 annually.

Franklin Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Changes in the fund's claims liability amount in fiscal years 2008 and 2009 were:

	Balance at Beginning of Fiscal Year	Current Year Claims	Claim Payments	Balance at End of Fiscal Year
2008	\$255,000	\$2,445,675	\$2,276,675	\$424,000
2009	424,000	2,049,388	2,025,388	448,000

Note 11 - Employee Benefits

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 225 days for all personnel. Upon retirement, certified personnel receive \$80 per day of accrued, but unused sick leave credit to a maximum of 225 days. Classified personnel receive payment for forty percent of accrued, but unused sick leave credit up to a maximum of 225 days.

B. Insurance

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

Note 12 - 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.

Franklin Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008, and 2007, were \$245,230, \$219,061, and \$281,042, respectively; 45.59 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement 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.

Funding Policy - For the fiscal year ended June 30, 2009, plan members were required to contribute 10 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. For fiscal year 2008, the portion used to fund pension obligations was also 13 percent.

Franklin Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 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, 2009, 2008, and 2007, were \$1,123,503, \$1,164,191, and \$1,107,062, respectively; 88.08 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$8,040 made by the School District and \$15,525 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2009, four members of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 13 - 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. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. 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.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, this amount was \$35,800.

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

The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007, were \$157,002, \$168,713, and \$129,910, respectively; 32.71 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

Franklin Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2009, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007, were \$21,747, \$16,550, and \$18,018, respectively; 49.38 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System

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.

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 2009, 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, 2009, 2008, and 2007, were \$86,423, \$89,553, and \$85,159, respectively; 88.08 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

Note 14 - Capitalized Leases

In a previous fiscal year, the School District entered into a lease agreement for photo-copying equipment for thirteen copiers and three print boards. This lease obligation meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

Actual principal payments during fiscal year 2009 totaled \$38,743 in the governmental funds. The new equipment has been capitalized in the amount of \$229,409, the present value of the minimum lease payments at the inception of the lease. There was accumulated depreciation as of \$91,764 as of June 30, 2009, therefore, leaving a remaining book value of \$137,645.

The agreements provide for minimum annual rental payments as follows:

Fiscal Year	Amount
2010	\$55,836
2011	55,837
2012	55,836
Total Minimum Lease Payments	167,509
Less: Amount Representing Interest	(18,999)
Present Value of Minumim Lease Payments	\$148,510

Franklin Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 15 - Long-Term Obligations

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

	Principal Outstanding 6/30/08	Additions	Reductions	Principal Outstanding 6/30/09	Amounts Due in One Year
2000 5.0-6.0% Energy Conservation Note	\$490,000	\$0	\$60,000	\$430,000	\$60,000
1996 3.8-5.7% School Building Construction Bonds	1,170,000	0	0	1,170,000	0
2004 School Building Construction Refunding Bonds:					
Serial Bonds - 2.0%-5.0%	2,290,000	0	245,000	2,045,000	255,000
Original Issue of Capital Appreciation Bonds - 21.603%	35,000	0	0	35,000	0
Accretion on Capital Appreciation Bonds	49,346	19,205	0	68,551	0
Premium on Capital Appreciation Bonds	135,852	0	17,628	118,224	0
Deferred Amount on Refunding (accounting gain)	(242,960)	0	(22,692)	(220,268)	0
Premium on Serial Bonds	125,603	0	11,731	113,872	0
2004 School Building Construction Bonds:					
Serial Bonds - 2.0%-5.0%	960,000	0	75,000	885,000	75,000
Term Bonds - 4.0%-5.0%	1,840,000	0	0	1,840,000	0
Premium on Serial Bonds	97,490	0	4,112	93,378	0
Discount on Term Bonds	(12,519)	0	(670)	(11,849)	0
Total Bonds	<u>6,447,812</u>	<u>19,205</u>	<u>330,109</u>	<u>6,136,908</u>	<u>330,000</u>
Capital Leases Payable	187,253	0	38,743	148,510	45,618
Sick Leave Benefits Payable	<u>1,398,044</u>	<u>66,785</u>	<u>23,978</u>	<u>1,440,851</u>	<u>24,799</u>
Total Governmental Activities Long-Term Liabilities	<u>\$8,523,109</u>	<u>\$85,990</u>	<u>\$452,830</u>	<u>\$8,156,269</u>	<u>\$460,417</u>

Capital leases are paid from the General Fund. Sick leave benefits are paid from the fund from which the employees' salaries are paid, which includes the General Fund and Lunchroom Special Revenue Funds.

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

On October 1, 1996, the School District issued school building construction general obligation bonds for \$5,300,000 as a result of the School District being approved for a \$7,978,096 school facilities grant through the Ohio School Facilities Commission for the construction of building additions to the following buildings: Roseville Middle School, Roseville Primary School, Duncan Falls Primary, and Philo Intermediate. The School District issued the bonds to provide the required local match for the school facilities loans. As a requirement of the loans, the School District was required to pass a 4.5 mill levy. 4.0 mills will be used to repay the debt issue which provides the matching funds required of the School District. The remaining .5 mill is used for facilities maintenance.

Franklin Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

On March 15, 2004, the School District issued \$5,837,000 in general obligation bonds. The proceeds were used to advance refund \$2,740,000 of outstanding 1996 school building construction bonds and to retire the \$3,097,000 bond anticipation notes for the local share of the school facilities approved in fiscal year 2004. The refunded bond escrow agent paid bond holders during fiscal year 2009.

The refunding bond issue included serial and capital appreciation bonds in the amount of \$2,705,000 and \$35,000, respectively. The capital appreciation bonds have a maturity amount of \$385,000. The bonds are being retired from the Bond Retirement Debt Service Fund. The serial general obligation bonds were sold at a premium of \$175,967 and will be amortized over the term of the bonds. Issuance costs associated with the refunding bonds were \$38,264 and will be amortized over the term of the bonds.

The capital appreciation bonds were sold at a premium of \$211,530. The capital appreciation bonds will mature in fiscal year 2017. The maturity amount of the bonds is \$385,000. For the fiscal year 2009, \$19,205 was accreted for a total bond value of \$103,551.

The 2004 \$3,097,000 general obligation bonds that were issued on March 15, 2004, for school building construction include serial and term bonds in the amount of \$1,257,000 and \$1,840,000, respectively. The bonds are being retired from the Bond Retirement Debt Service Fund. The serial and term general obligation bonds were sold at a premium of \$115,145 and discount of \$11,500 and are amortized over the term of the bonds. Issuance costs associated with the bond issue were \$82,443 and are amortized over the term of the bonds.

The term bonds maturing on December 1, 2021, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Principal Amount to be Redeemed
2019	\$110,000
2020	115,000

The remaining principal amount of the term bonds (\$120,000) will mature at stated maturity on December 1, 2021.

The term bonds maturing on December 1, 2024, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Principal Amount to be Redeemed
2022	\$120,000
2023	125,000

The remaining principal amount of the term bonds (\$130,000) will mature at stated maturity on December 1, 2024.

Franklin Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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

Year	Principal Amount to be Redeemed
2025	\$140,000
2026	145,000
2027	150,000
2028	160,000
2029	165,000
2030	175,000

The remaining principal amount of the term bonds (\$185,000) will mature at stated maturity on December 1, 2031.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2009, were as follows:

Fiscal Year Ending June 30	Serial		Capital Appreciation		Term	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$330,000	\$274,821	\$0	\$0	\$0	\$0
2011	370,000	261,394	0	0	0	0
2012	395,000	240,916	0	0	0	0
2013	415,000	218,847	0	0	0	0
2014	455,000	194,742	0	0	0	0
2015-2019	2,135,000	718,484	35,000	350,000	0	0
2020-2024	0	0	0	0	590,000	368,437
2025-2029	0	0	0	0	725,000	224,806
2030-2032	0	0	0	0	525,000	40,375
	<u>\$4,100,000</u>	<u>\$1,909,204</u>	<u>\$35,000</u>	<u>\$350,000</u>	<u>\$1,840,000</u>	<u>\$633,618</u>

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

Franklin Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Principal and interest requirements to retire the energy conservation note outstanding at June 30, 2009, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$60,000	\$25,475	\$85,475
2011	65,000	21,995	86,995
2012	70,000	18,193	88,193
2013	75,000	14,062	89,062
2014	80,000	9,600	89,600
2015	80,000	4,800	84,800
Total	\$430,000	\$94,125	\$524,125

The overall debt margin of the School District as of June 30, 2009, was \$12,325,255 with an unvoted debt margin of \$195,531.

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

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

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

Note 16 - Jointly Governed Organizations

A. Ohio Mid-Eastern Regional Educational Service Agency

The School District is a participant in the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) which was created as a regional council of governments pursuant to State statutes. OME-RESA 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 school districts. OME-RESA has 12 participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Monroe, Muskingum, Noble, and Tuscarawas Counties. OME-RESA is governed by a board which is selected by the member districts. OME-RESA possesses its own budgeting and financing authority. The continued existence of OME-RESA is not dependent on the District's continued participation and the School District has no equity interest in the Agency. The School District's payments for computer services to OME-RESA in fiscal year 2009 were \$52,258. To obtain financial information, write to the Ohio Mid-Eastern Regional Educational Service Agency, Debbie Angelo, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio.

Franklin Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

B. Mid-East Career and Technology Center

The Mid-East Career and Technology Center is a jointly governed organization providing vocational services to its thirteen member school districts. The Career and Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one member from each of the participating school district's boards. The board possesses its own budgeting and taxing authority. The continued existence of the Career and Technology Center is not dependent on the District's continued participation. To obtain financial information write to the Mid-East Career and Technology Center, Rick White, Treasurer, at 1965 Chandlersville Road, Zanesville, Ohio 45701.

C. Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools is a jointly governed organization including over 100 hundred school districts in southeastern Ohio. The Coalition is operated by a Board which is composed of fourteen members. The board members are composed of one superintendent from each county elected by the school districts within that county. The Council provides various in-service for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. The School District's membership fee was \$300 for fiscal year 2009.

Note 17 - Insurance Purchasing Pools

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

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

B. Schools of Ohio Risk Sharing Authority

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

Franklin Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

C. Ohio School Boards Association's Insurance Trust

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

Note 18 - Related Party Transactions

During fiscal year 2009, the School District provided educational management information systems coordinating services and other administrative services to the FLCS in the amount of \$699,050. These services were not totally paid to the School District by June 30, 2009; therefore, the statement of net assets shows a receivable to the School District from the FLCS for \$94,891.

Note 19 - Set-asides

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

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

	Capital Improvements Reserve	Textbooks Instructional Materials Reserve
Set-aside Reserve Balance as of June 30, 2008	\$0	(\$913,363)
Current Year Set-aside Requirement	324,639	324,639
Current Year Offsets	(1,093,754)	0
Qualifying Disbursements	(259,119)	(315,606)
Total	(\$1,028,234)	(\$904,330)
Set-aside Balance Carried Forward to Future Fiscal Years	\$0	(\$904,330)

The School District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amounts below zero. These extra amounts may be used to reduce the set-aside requirements of future fiscal years for textbooks and instructional materials. The excess in the capital maintenance set-aside may not be carried forward to reduce the set-aside requirement in future years.

Franklin Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 20 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2009.

B. Litigation

As of June 30, 2009, the District is a party in one lawsuit, but the School District has determined that any potential liability will not have a material effect on the financial statements.

Note 21 - Accountability

The following funds had deficit fund balances as of June 30, 2009:

	<u>Deficit Fund Balances</u>
Early Childhood Education Special Revenue Fund	(\$12,232)
Sam Hatfield Stadium Renovation Capital Project Fund	(3,000)

The deficits in the Special Revenue and Capital Projects Funds are the result of the recognition of payables in accordance with Generally Accepted Accounting Principles (GAAP). The General Fund provides transfers to cover deficit balances of special revenue and capital projects funds; however, this is done when cash is needed rather than when accruals occur.

Note 22 - Franklin Local Community School Component Unit

A. Basis of Presentation

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

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

B. Capital Assets

FLCS's capital assets during fiscal year 2009 consisted of computers, computer equipment, a phone system, a refrigerator, a copier, and desks and cabinets. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market values as of the date received. FLCS maintains a capitalization threshold of five hundred dollars. All of FLCS' reported capital assets are depreciated using the straight-line method.

Franklin Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Equipment is depreciated over six to ten years and furniture is depreciated over twenty years of useful life.

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
Computer Equipment	\$96,165	\$0	\$0	\$96,165
Furniture & Fixtures	0	10,887	0	10,887
Less Accumulated Depreciation	(39,071)	(15,817)	0	(54,888)
Capital Assets, Net	<u>\$57,094</u>	<u>(\$4,930)</u>	<u>\$0</u>	<u>\$52,164</u>

**FRANKLIN LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2009**

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Grant Year	Receipts	Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE				
<i>Passed through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
School Breakfast Program	10.553	2008/2009	\$ 877	\$ 877
National School Lunch Program	10.555	2008/2009	61,857	61,857
Summer Food Program	10.559	2008/2009	760	760
Non-Cash Assistance Subtotal			<u>63,494</u>	<u>63,494</u>
Cash Assistance:				
School Breakfast Program	10.553	2008/2009	107,779	107,779
National School Lunch Program	10.555	2008/2009	436,292	436,292
Summer Food Program	10.559	2008/2009	47,303	47,303
Cash Assistance Subtotal			<u>591,374</u>	<u>591,374</u>
Total Nutrition Cluster			<u>654,868</u>	<u>654,868</u>
Total United States Department of Agriculture			654,868	654,868
UNITED STATES DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	84.010	2008	81,652	122,616
		2009	433,265	432,746
		Schl Imp. 2009	60,000	46,345
Total Title I Grants to Local Educational Agencies			<u>574,917</u>	<u>601,707</u>
Special Education Grants to States	84.027	IDEA-B 2008	40,558	70,000
		IDEA-B 2009	374,878	348,628
		ABC 2008	46,677	55,533
Total Special Education Grants to States			<u>462,113</u>	<u>474,161</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	2008	(40)	5,717
		2009	10,028	4,905
Total Safe and Drug-Free School and Communities - State Grants			<u>9,988</u>	<u>10,622</u>
State Grants for Innovative Programs	84.298	2008	(216)	4,773
		2009	464	4,773
Total State Grants for Innovative Programs			<u>248</u>	<u>4,773</u>
Education Technology State Grants	84.318	2008	(560)	57
		2009	1,402	57
Total Education Technology State Grants			<u>842</u>	<u>57</u>
Improving Teacher Quality	84.367	2008	12,831	21,230
		2009	113,370	109,660
Total Improving Teacher Quality			<u>126,201</u>	<u>130,890</u>
Total United States Department of Education			1,174,309	1,222,210
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
<i>Passed Through Ohio Department of Education:</i>				
Learn and Serve America Grant	94.004	2008	0	1,085
Total Corporation for National and Community Service			<u>0</u>	<u>1,085</u>
Total Federal Awards Receipts and Expenditures			<u>\$ 1,829,177</u>	<u>\$ 1,878,163</u>

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

**FRANKLIN LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
JUNE 30, 2009**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

The District comingles 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

Program regulations do not require the School District to maintain separate inventory records for purchased food versus food commodities it receives from the U.S. Department of Agriculture. The School District reports commodities consumed on the Schedule at the fair value.

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 School District transferred the following amounts from 2008 to 2009 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2008 to 2009</u>
Safe and Drug-Free Schools and Communities	84.186	\$40
State Grants for Innovative Programs	84.298	216
Education Technology State Grants	84.318	560



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the discretely presented component unit, the major fund, and the aggregate remaining fund information of the Franklin Local School District, Muskingum County, Ohio (the School District), as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements and have issued our report thereon dated November 12, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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, providing an opinion 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*.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

November 12, 2009



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the Board of Education:

Compliance

We have audited the compliance of the Franklin Local School District, Muskingum County, Ohio (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2009. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the School District's major federal program. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2009.

Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to administer a federal program such that there is more than a remote likelihood that the School District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the School District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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 that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

November 12, 2009

**FRANKLIN LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2009**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board of Education, solely to assist the Board in evaluating whether Franklin Local School District (the School District) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on May 22, 2008.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
 - (6) A procedure for documenting any prohibited incident that is reported;

743 E. State St. / Athens Mall Suite B / Athens, OH 45701-2157
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110

www.auditor.state.oh.us

- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Education and is not intended to be and should not be used by anyone other than this specified party.



Mary Taylor, CPA
Auditor of State

November 12, 2009



Mary Taylor, CPA
Auditor of State

**FRANKLIN LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 22, 2009**