



Dave Yost • Auditor of State



**FRANKLIN CITY SCHOOL DISTRICT  
WARREN COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Franklin City School District, Warren County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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.

As described in Note 21 during the year ended June 30, 2011, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Franklin City School District, Warren County, Ohio, as of June 30, 2011, 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 February 13, 2012 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

February 13, 2012

**Franklin City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*

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The discussion and analysis of Franklin City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for 2011 are as follows:

- In total, net assets increased \$2,761,296 which represents a 15 percent increase from 2010.
- General revenues accounted for \$28,843,625 in revenue or 84 percent of all revenues. Program specific revenues in the form of charges for services, and operating grants and contributions and interest accounted for \$5,495,435 or 16 percent of total revenues of \$34,339,060.
- The School District had \$31,577,764 in expenses, down \$680,661 (2%) from prior year.
- The General Fund had \$26,691,568 in revenues and \$27,204,759 in expenditures. The General Fund's balance decreased \$512,474 from 2010.
- During 2011, the School District issued \$959,000 in General Obligation Energy Conservation Improvement Bonds. Energy conservation measures include a retrofit of lights, boilers and chillers at the high school. The bonds are qualified school construction bonds with a direct payment of a subsidy to the School District allowing the School District to save \$723,975 in interest costs over the life of the bonds.

**Using this Generally Accepted Accounting Principles Report (GAAP)**

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

The statement of net 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. In the case of Franklin City School District, the General Fund is the most significant fund.

**Franklin City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*

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**Reporting the School District as a Whole**

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2011?" 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 fiscal 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 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, and some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility condition, required educational programs and other factors.

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

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

*Fund Financial Statements*

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

*Governmental Funds*

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



**Franklin City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*

(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.

**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 2011 compared to 2010:

Table 1  
Net Assets

	Governmental Activities	
	2010 (Restated)	2011
<b>Assets</b>		
Current and Other Assets	\$22,358,456	\$25,579,742
Capital Assets	14,859,522	15,962,768
Total Assets	37,217,978	41,542,510
<b>Liabilities</b>		
Long-Term Liabilities	4,988,277	5,683,978
Other Liabilities	13,443,814	14,311,349
Total Liabilities	18,432,091	19,995,327
<b>Net Assets</b>		
Invested in Capital Assets, Net of Debt	14,307,731	14,779,344
Restricted	2,219,578	2,720,471
Unrestricted	2,258,578	4,047,368
Total Net Assets	\$18,785,887	\$21,547,183

An increase in capital assets and property taxes receivable contributed to total assets increasing for fiscal year 2011.

Long-term liabilities increased as a result of the School District issuing \$959,000 in energy conservation bonds.

Unrestricted net assets increased \$1,788,790. Unrestricted net assets are the part of net assets that can be used to finance day-to-day activities without constraints established by grants or legal requirements.

**Franklin City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*

Table 2 shows the changes in net assets for fiscal year 2010 and 2011.

Table 2  
Change in Net Assets

	<b>Governmental Activities</b>		<b>Percentage Change</b>
	2010	2011	
<b>Revenues</b>			
Program Revenues:			
Charges for Services	\$1,878,672	\$1,619,166	-13.81%
Operating Grants and Contributions	4,111,095	3,876,269	(5.71)
Capital Grants and Contributions	135,000	0	(100.00)
Total Program Revenues	<u>6,124,767</u>	<u>5,495,435</u>	(10.28)
General Revenues			
Property Taxes	13,478,672	14,730,537	9.29
Grants and Entitlements Not Restricted	14,162,399	13,824,412	(2.39)
Other	295,656	288,676	(2.36)
Total General Revenues	<u>27,936,727</u>	<u>28,843,625</u>	3.25
Total Revenues	<u>34,061,494</u>	<u>34,339,060</u>	0.81
Program Expenses			
Instruction	18,720,443	18,914,207	1.04
Support Services:			
Pupils and Instructional Staff	2,876,590	3,163,120	9.96
Board of Education, Administration, Fiscal and Business	3,270,092	2,793,630	(14.57)
Operation and Maintenance of Plant	2,835,147	2,424,604	(14.48)
Pupil Transportation	1,325,215	1,255,674	(5.25)
Central	422,786	390,843	(7.56)
Operation of Non-Instructional Services	1,701,327	1,569,637	(7.74)
Extracurricular Activities	837,244	788,409	(5.83)
Interest and Fiscal Charges	269,581	277,640	2.99
Total Expenses	<u>32,258,425</u>	<u>31,577,764</u>	(2.11)
Increase (Decrease) in Net Assets	1,803,069	2,761,296	53.14
Net Assets, Beginning of Year	16,982,818	18,785,887	10.62
Net Assets, End of Year	<u>\$18,785,887</u>	<u>\$21,547,183</u>	14.70

**Franklin City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*

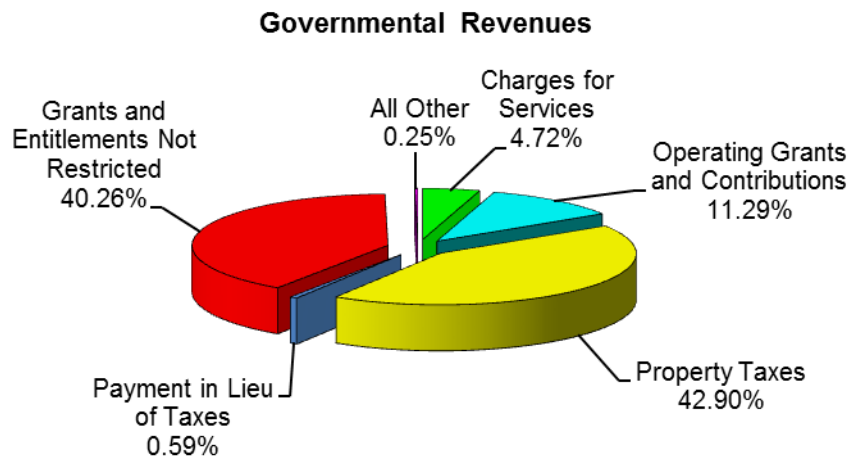
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\$135,000 in capital grants and contributions in 2010 were donations for the stadium project. The decrease in operating grants and contributions was the result of receiving less ARRA monies and state stabilization funds.

Overall, expenses decreased 2.11 percent for fiscal year 2011, down from a 4.3 percent increase for fiscal year 2010.

### Governmental Activities

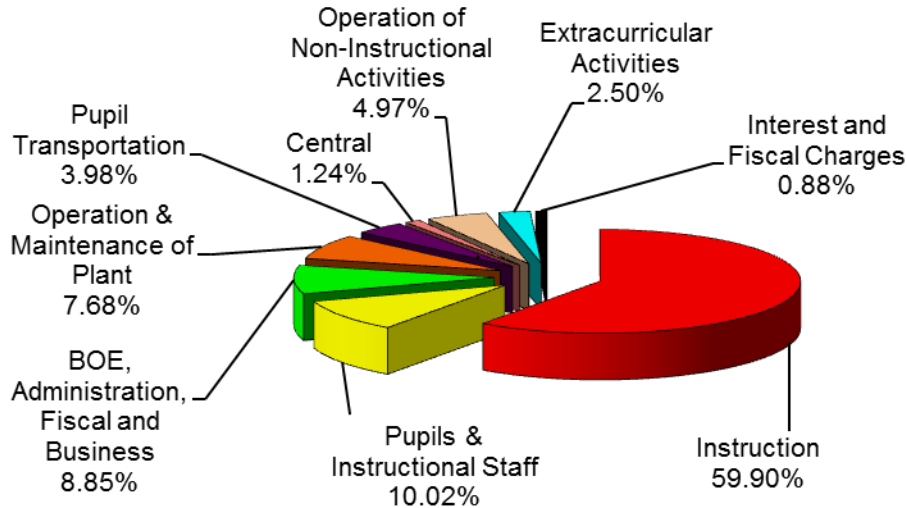
The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for School District operations. Property taxes make up 42.9 percent of revenues for governmental activities for Franklin City School District for fiscal year 2011.



Instruction comprises 59.9 percent of district expenses. Support services expenses make up 31.77 percent of the expenses.

**Franklin City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*

**Governmental Expenses**



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

Table 3  
 Total and Cost of Program Services  
 Governmental Activities

	Total Cost of Services 2010	Net Cost of Services 2010	Total Cost of Services 2011	Net Cost of Services 2011
Instruction	\$18,720,443	(\$15,527,283)	\$18,914,207	(\$15,825,268)
Support Services:				
Pupils and Instructional Staff	2,876,590	(2,315,066)	3,163,120	(2,774,575)
Board of Education, Administration, Fiscal and Business	3,270,092	(2,898,362)	2,793,630	(2,686,867)
Operation and Maintenance of Plant	2,835,147	(2,772,159)	2,424,604	(2,399,135)
Pupil Transportation	1,325,215	(1,289,900)	1,255,674	(1,232,629)
Central	422,786	(404,495)	390,843	(390,843)
Operation of Non-Instructional Services	1,701,327	(172,884)	1,569,637	42,512
Extracurricular Activities	837,244	(483,928)	788,409	(537,884)
Interest and Fiscal Charges	269,581	(269,581)	277,640	(277,640)
<b>Total Expenses</b>	<b>\$32,258,425</b>	<b>(\$26,133,658)</b>	<b>\$31,577,764</b>	<b>(\$26,082,329)</b>

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

**Franklin City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*

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

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

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

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

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

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

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

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

The dependence upon tax revenues is apparent as no program is able to support itself. Over 83 percent of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 83 percent. Taxes along with state foundation monies are the primary support for the Franklin City School District.

**The School District's Funds**

Information about the School District's major fund starts on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$31,991,980 and expenditures of \$32,966,946. The School District's General Fund balance decreased \$512,474 during fiscal year 2011. In fiscal year 2010, the General Fund balance decreased \$1,300,527. An increase in property tax revenue slowed the reduction of the General Fund's balance.

**Franklin City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*

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**General Fund Budgeting Highlights**

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

During the course of fiscal year 2011, the School District amended its General Fund budget numerous times, which resulted in appropriations increasing \$840,832. The School District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. Prior to fiscal year-end, the School District passed appropriations to match expenditures plus encumbrances.

For the General Fund, the final budget basis revenue estimate was \$26,205,280. The original budgeted estimate was \$26,328,961. Decreases were due to a decrease in gifts and donations.

**Capital Assets**

At the end of fiscal year 2011, the School District had \$15,962,768 invested in land, land improvements, buildings and improvements, furniture, fixtures and equipment, and vehicles.

Table 4 shows fiscal year 2011 balances compared to 2010.

	<b>Governmental Activities</b>	
	<u>2010</u>	<u>2011</u>
Land	\$409,574	\$409,574
Land Improvements	1,097,071	1,388,250
Buildings and Improvements	15,612,823	16,837,219
Furniture/Fixtures/Equipment	3,291,782	3,293,654
Vehicles	1,317,227	1,322,242
Less: Accumulated Depreciation	<u>(6,868,955)</u>	<u>(7,288,171)</u>
	<u>\$14,859,522</u>	<u>\$15,962,768</u>

Overall capital assets increased \$1,103,246 from fiscal year 2010 to fiscal year 2011. During 2011, building and improvements increased as the HB 264 energy improvements were completed. These improvements included lighting and HVAC improvements. In addition, roofing was completed at both Anthony Wayne and Hampton Bennett. For more information on capital assets, see Note 7 of the Basic Financial Statements.

**Franklin City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*

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**Debt Administration**

At June 30, 2011, the School District had outstanding debt in the amount \$3,745,595. During 2011, the School District issued \$959,000 in general obligation energy conservation improvement bonds. The bonds are qualified school construction bonds - direct payment, where the School District will receive a subsidy for \$723,975 over the life of the bonds to help decrease interest costs.

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

**Current Financial Issues and Concerns**

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

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

On August 4, 2010, the School District issued \$959,784 in energy conservation bonds at a 5.5% interest rate. Energy conservation measures include a retrofit of lights, boilers and chillers at the high school. The annual anticipated savings from the energy conservation measures is \$62,751. The payback period on the project is 15 years. Many of these improvements were completed during fiscal year 2011.

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

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

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

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jana Bellamy, Treasurer at Franklin City School District, 150 E. Sixth Street, Franklin, OH 45005 or email [Jbellamy@franklin-city.k12.oh.us](mailto:Jbellamy@franklin-city.k12.oh.us).

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**Franklin City School District**

*Statement of Net Assets*

*June 30, 2011*

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	<u>GOVERNMENTAL ACTIVITIES</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$8,093,537
Accrued Interest Receivable	7,805
Accounts Receivable	173,726
Intergovernmental Receivable	610,980
Inventory of Supplies and Materials	18,906
Property Taxes Receivable	16,591,830
Deferred Charges	82,958
Depreciable Capital Assets, Net	15,553,194
Non-Depreciable Capital Assets	409,574
Total Assets	<u>41,542,510</u>
Liabilities:	
Accounts Payable	110,455
Accrued Wages and Benefits Payable	2,781,167
Intergovernmental Payable	731,527
Deferred Revenue	10,583,054
Accrued Interest Payable	105,146
Long Term Liabilities:	
Due Within One Year	495,650
Due In More Than One Year	5,188,328
Total Liabilities	<u>19,995,327</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	14,779,344
Restricted for:	
Debt Service	1,209,755
Capital Projects	998,817
Other Purposes	511,899
Unrestricted	4,047,368
Total Net Assets	<u><u>\$21,547,183</u></u>

See Accompanying Notes to the Basic Financial Statements

**Franklin City School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2011

	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES
	EXPENSES	CHARGES FOR SERVICES AND SALES	OPERATING GRANTS CONTRIBUTIONS AND INTEREST	IN NET ASSETS
				TOTAL GOVERNMENTAL ACTIVITIES
Governmental Activities				
Instruction:				
Regular	\$14,210,918	\$796,543	\$1,381,765	(\$12,032,610)
Special	4,204,751	90,367	755,515	(3,358,869)
Vocational	430,181	8,862	55,887	(365,432)
Student Intervention Services	11,170	0	0	(11,170)
Other	57,187	0	0	(57,187)
Support Services:				
Pupils	1,493,148	0	236,473	(1,256,675)
Instructional Staff	1,669,972	0	152,072	(1,517,900)
Board of Education	31,599	0	0	(31,599)
Administration	1,940,363	0	106,763	(1,833,600)
Fiscal	636,815	0	0	(636,815)
Business	184,853	0	0	(184,853)
Operation and Maintenance of Plant	2,424,604	25,469	0	(2,399,135)
Pupil Transportation	1,255,674	0	23,045	(1,232,629)
Central	390,843	0	0	(390,843)
Operation of Non-Instructional Services	1,569,637	479,140	1,133,009	42,512
Extracurricular Activities	788,409	218,785	31,740	(537,884)
Interest and Fiscal Charges	277,640	0	0	(277,640)
Total Governmental Activities	<u>\$31,577,764</u>	<u>\$1,619,166</u>	<u>\$3,876,269</u>	<u>(26,082,329)</u>
General Revenues:				
Property Taxes Levied for:				
				13,893,785
				464,761
				371,991
				13,824,412
				20,399
				203,075
				20,243
				44,959
				<u>28,843,625</u>
				2,761,296
				<u>18,785,887</u>
				<u>\$21,547,183</u>

See Accompanying Notes to the Basic Financial Statements

**Franklin City School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2011*

	<u>GENERAL</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$5,595,180	\$2,498,357	\$8,093,537
<b>Receivables:</b>			
Property Taxes	15,693,223	898,607	16,591,830
Accounts	171,486	2,240	173,726
Accrued Interest	7,805	0	7,805
Intergovernmental	0	610,980	610,980
Interfund	115,000	0	115,000
Inventory of Supplies and Materials	0	18,906	18,906
<b>Total Assets</b>	<u>\$21,582,694</u>	<u>\$4,029,090</u>	<u>\$25,611,784</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts Payable	\$97,349	\$13,106	\$110,455
Accrued Wages and Benefits Payable	2,479,854	301,313	2,781,167
Intergovernmental Payable	655,783	75,744	731,527
Interfund Payable	0	115,000	115,000
Deferred Revenue	14,900,882	1,171,106	16,071,988
<b>Total Liabilities</b>	<u>18,133,868</u>	<u>1,676,269</u>	<u>19,810,137</u>
<b>Fund Balances</b>			
Nonspendable	0	18,906	18,906
Restricted	0	1,596,686	1,596,686
Committed	0	837,918	837,918
Assigned	2,565,523	1,000	2,566,523
Unassigned	883,303	(101,689)	781,614
<b>Total Fund Balances</b>	<u>3,448,826</u>	<u>2,352,821</u>	<u>5,801,647</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$21,582,694</u>	<u>\$4,029,090</u>	<u>\$25,611,784</u>

See Accompanying Notes to the Basic Financial Statements

**Franklin City School District**  
*Reconciliation of the Total Governmental Fund Balances to  
 Net Assets of Governmental Activities*  
 June 30, 2011

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Total Governmental Fund Balances \$5,801,647

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

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

Land	409,574	
Land Improvements	1,388,250	
Building and Improvements	16,837,219	
Furniture/Equipment/Fixtures	3,293,654	
Vehicles	1,322,242	
Accumulated Depreciation	<u>(7,288,171)</u>	15,962,768
Total Capital Assets		

Unamortized Bond Costs 82,958

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

Property Taxes	4,975,731	
Tuition and Fees and Rentals	173,726	
Interest	7,805	
Intergovernmental Grants	<u>331,672</u>	5,488,934

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

General Obligation Bonds	(2,797,457)	
Energy Conservation Bomds	(895,067)	
Unamortized Premium on Refunding Bonds	(161,923)	
Accounting Loss	108,852	
Accrued Interest on Loans	(105,146)	
Compensated Absences	<u>(1,938,383)</u>	<u>(5,789,124)</u>

Net Assets of Governmental Activities \$21,547,183

See Accompanying Notes to the Basic Financial Statements

**Franklin City School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2011*

	GENERAL	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>Revenues:</b>			
Property Taxes	\$11,659,569	\$717,229	\$12,376,798
Payment in Lieu of Taxes	203,075	0	203,075
Tuition and Fees	902,438	0	902,438
Interest	21,720	796	22,516
Intergovernmental	13,724,647	3,905,808	17,630,455
Extracurricular Activities	30,470	159,815	190,285
Charges for Services	0	478,518	478,518
Gifts and Donations	51,472	38,212	89,684
Rent	5,238	0	5,238
Miscellaneous	92,939	34	92,973
<b>Total Revenues</b>	<b>26,691,568</b>	<b>5,300,412</b>	<b>31,991,980</b>
<b>Expenditures:</b>			
<b>Current:</b>			
<b>Instruction:</b>			
Regular	13,049,168	1,026,816	14,075,984
Special	3,235,953	1,001,375	4,237,328
Vocational	425,134	0	425,134
Student Intervention Services	11,170	0	11,170
Other	57,187	0	57,187
<b>Support Services:</b>			
Pupils	1,221,512	301,738	1,523,250
Instructional Staff	1,449,978	204,733	1,654,711
Board of Education	31,392	0	31,392
Administration	1,766,511	152,810	1,919,321
Fiscal	619,760	7,427	627,187
Business	187,505	0	187,505
Operation and Maintenance of Plant	2,227,051	0	2,227,051
Pupil Transportation	1,156,176	30,809	1,186,985
Central	385,942	0	385,942
Operation of Non-Instructional Services	9,399	1,552,423	1,561,822
Extracurricular Activities	624,083	153,649	777,732
Capital Outlay	681,085	823,740	1,504,825
<b>Debt Service:</b>			
Principal Retirement	63,933	223,570	287,503
Interest and Fiscal Charges	1,820	253,210	255,030
Bond Issuance Costs	0	29,890	29,890
<b>Total Expenditures</b>	<b>27,204,759</b>	<b>5,762,190</b>	<b>32,966,949</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(513,191)</b>	<b>(461,778)</b>	<b>(974,969)</b>
<b>Other Financing Sources (Uses):</b>			
Energy Conservation Bonds Issued	0	959,000	959,000
Accrued Interest on Bonds Issued	0	1,054	1,054
Insurance Recoveries	717	0	717
<b>Total Other Financing Sources (Uses)</b>	<b>717</b>	<b>960,054</b>	<b>960,771</b>
<b>Net Change in Fund Balances</b>	<b>(512,474)</b>	<b>498,276</b>	<b>(14,198)</b>
<b>Fund Balances at Beginning of Year - Restated (Note 21)</b>	<b>3,961,300</b>	<b>1,854,545</b>	<b>5,815,845</b>
<b>Fund Balances at End of Year</b>	<b>\$3,448,826</b>	<b>\$2,352,821</b>	<b>\$5,801,647</b>

See Accompanying Notes to the Basic Financial Statements

**Franklin City School District**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
 In Fund Balances of Governmental Funds to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2011*

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Net Change in Fund Balances - Total Governmental Funds (\$14,198)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital Outlay	1,533,578	
Depreciation Expense	(430,055)	
Excess of Capital Outlay over Depreciation Expense		1,103,523

The proceeds from the sale of capital assets are reported as an other financing source in the governmental funds. However, the cost of the capital assets is removed from the capital assets account on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a loss on disposal of capital assets on the statement of activities.

Loss on Disposal of Capital Assets		(277)
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Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current fiscal year, these amounts consist of:

General Obligation Bonds Principal Payments	223,570	
Energy Conservation Bonds Principal Payments	63,933	
		287,503

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

Energy Conservation Bonds Issued	(959,000)	
Accretion on General Obligation Capital Appreciation Bonds	(18,014)	
Amortization of Accounting Loss	(5,442)	
Amortization of Premium on Refunding Bonds	8,096	
		(974,360)

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

Property Taxes	2,353,739	
Tuition and Fees and Rentals	(4,426)	
Interest	(2,103)	
Intergovernmental Grants	(847)	
		2,346,363

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

Increase in Unamortized Bonds Costs	27,236	
Increase in Accrued Interest	(5,650)	
Increase in Compensated Absences	(8,844)	
		12,742

Change in Net Assets of Governmental Activities		\$2,761,296
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See Accompanying Notes to the Basic Financial Statements

**Franklin City School District**  
*Statement of Revenues, Expenditures and*  
*Changes in Fund Balance - Budget (Non - GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2011*

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
<b>Revenues:</b>				
Property Taxes	\$10,915,827	\$11,233,290	\$11,233,290	\$0
Tuition and Fees	752,167	902,438	902,438	0
Interest	32,447	21,720	21,720	0
Intergovernmental	14,099,620	13,918,862	13,918,862	0
Charges for Services	92	0	0	0
Gifts and Donations	446,612	50,399	50,399	0
Rent	11,014	5,238	5,238	0
Miscellaneous	71,182	73,333	73,333	0
<b>Total Revenues</b>	<b>26,328,961</b>	<b>26,205,280</b>	<b>26,205,280</b>	<b>0</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	12,929,651	13,016,169	13,016,169	0
Special	3,200,695	3,251,656	3,251,656	0
Vocational	420,367	423,836	423,836	0
Student Intervention Services	596	110	110	0
Other	50,469	57,187	57,187	0
<b>Support Services:</b>				
Pupils	1,197,140	1,263,111	1,263,111	0
Instructional Staff	1,421,264	1,468,579	1,468,579	0
Board of Education	37,752	31,445	31,445	0
Administration	1,971,748	2,081,192	2,081,192	0
Fiscal	667,585	609,750	609,750	0
Business	176,293	188,856	188,856	0
Operation and Maintenance of Plant	2,466,045	2,578,355	2,578,355	0
Pupil Transportation	1,117,004	1,173,461	1,173,461	0
Central	418,514	370,105	370,105	0
Operation of Non-Instructional Services	0	10,094	10,094	0
Extracurricular Activities	610,267	577,551	577,551	0
Capital Outlay	392,601	751,613	751,613	0
<b>Debt Service</b>				
Principial	0	63,933	63,933	0
Interest and Fiscal Charges	0	1,820	1,820	0
<b>Total Expenditures</b>	<b>27,077,991</b>	<b>27,918,823</b>	<b>27,918,823</b>	<b>0</b>
<b>Excess of Revenues Under Expenditures</b>	<b>(749,030)</b>	<b>(1,713,543)</b>	<b>(1,713,543)</b>	<b>0</b>
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Capital Assets	2,310	0	0	0
Insurance Recoveries	20,452	717	717	0
<b>Total Other Financing Sources (Uses)</b>	<b>22,762</b>	<b>717</b>	<b>717</b>	<b>0</b>
<b>Net Change in Fund Balances</b>	<b>(726,268)</b>	<b>(1,712,826)</b>	<b>(1,712,826)</b>	<b>0</b>
Fund Balances at Beginning of Year	6,272,543	6,272,543	6,272,543	0
Prior Year Encumbrances Appropriated	583,752	583,752	583,752	0
<b>Fund Balances at End of Year</b>	<b>\$6,130,027</b>	<b>\$5,143,469</b>	<b>\$5,143,469</b>	<b>\$0</b>

See Accompanying Notes to the Basic Financial Statements

**Franklin City School District**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2011*

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	PRIVATE PURPOSE TRUST	
	SCHOLARSHIP	AGENCY
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$72,071	\$53,271
<b>Liabilities:</b>		
Due to Students	0	\$53,271
<b>Net Assets:</b>		
Held in Trust for Scholarships		
Expendable	\$10,740	
Non-expendable	61,331	
Total Net Assets	\$72,071	

See Accompanying Notes to the Basic Financial Statements



**Franklin City School District**  
*Statement of Changes in Fiduciary Net Assets*  
*Fiduciary Fund*  
*For the Fiscal Year Ended June 30, 2011*

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	PRIVATE PURPOSE TRUST
	SCHOLARSHIP
Additions:	
Gifts and Contributions	\$3,220
Interest	3,508
Total Additions	6,728
Deductions:	
Scholarships Awarded	3,492
Change in Net Assets	3,236
Net Assets Beginning of Year	68,835
Net Assets End of Year	\$72,071

See Accompanying Notes to the Basic Financial Statements

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**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

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

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

**Reporting Entity:**

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

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

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

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

(continued)

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

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis Of Presentation - Fund Accounting**

The School District's basic financial statements consist of government-wide statements, including a statement of net 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 government-wide financial statements usually distinguish between those activities that are governmental and those that are business-type. The School District, however, has no activities which are reported as business-type.

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

*Fund Financial Statements:*

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

**B. Fund Accounting**

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

*Governmental Funds:*

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

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

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

*Fiduciary Fund Types:*

Fiduciary fund reporting focuses on net 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 fiduciary funds are a private purpose trust fund and an agency fund. The School District's private purpose trust fund accounts for college scholarship programs for students. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The student managed activities agency fund accounts for those student activity programs, which have student participation in the activity and have students involved in the management of the program. This fund typically includes those student activities, which consist of a student body, student president, student treasurer, and faculty advisor.

**C. Measurement Focus**

*Government-wide Financial Statements:*

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the School District are included on the statement on net assets. The statement of activities accounts for 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.

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

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

**D. Basis of Accounting**

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

*Revenues - Exchange and Non-exchange Transactions:*

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 5). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

*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, 2011, but which were levied to finance fiscal year 2012 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. Allocation of costs, such as depreciation and amortization are not recognized in governmental funds.

**E. Cash and Cash Equivalents**

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During fiscal year 2011, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), Van Kampen Equity and Income Fund, Huntington Money Market Investment, and repurchase agreements. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2011.

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 2011 amounted to \$21,720, which includes \$4,577 assigned from other School District funds.



**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

**F. Inventory**

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

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2011, are recorded as prepaid items using the consumption method. A current asset is recorded at the time of purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

**H. Capital Assets and Depreciation**

The School District's only capital assets are general capital assets. General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net 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. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

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

**I. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

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

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

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

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

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**K. 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 activities for food service operations, music and athletic programs, and federal and state grants restricted to expenditures for specified purposes.

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

**L. Fund Balance**

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

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

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

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

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

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

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

**M. Bond Premiums/Issuance Costs/Accounting Loss**

Bond premiums, issuance costs and the accounting loss are deferred and amortized over the term of the bonds using the straight line method since the results are not significantly different from the effective interest method. Bond premiums and the accounting loss are presented as reduction/addition of the face of the bonds payable, whereas issuance costs are recorded as deferred charges.

**N. Interfund Transactions**

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

**O. 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 City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**P. Budgetary Process**

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

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate that was issued during fiscal year 2011. Prior to fiscal year-end, the School District requested and received an amended certificate of estimated resources that reflected actual revenue for the fiscal year in the General Fund and which was in effect at the time the final appropriations were passed by the Board of Education.

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

**NOTE 3 - BUDGET TO GAAP RECONCILIATION**

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

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**NOTE 3 - BUDGET TO GAAP RECONCILIATION**

The major differences between the budget basis and GAAP basis are as follows:

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

	<u>General</u>
GAAP Basis	(\$512,474)
Revenue Accruals	(426,279)
Expenditure Accruals	(272,281)
Perspective Differences	22,239
Encumbrances	<u>(524,034)</u>
Budget Basis	<u><u>(\$1,712,829)</u></u>

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**NOTE 4 - DEPOSITS AND INVESTMENTS** (continued)

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

**NOTE 4 - DEPOSITS AND INVESTMENTS** (continued)

8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited.

***Deposits***

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

At fiscal year-end, the carrying amount of the School District's deposits was \$179,923 and the bank balance was \$1,036,817. \$547,256 of the School District's deposits was insured by federal depository insurance. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, \$489,561 of the School District's bank balance of \$1,036,817 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

***Investments***

At June 30, 2011, the School District had the following investments.

<u>Investments:</u>	<u>Maturity</u>	<u>Fair Value</u>
Repurchase Agreement	1 day	\$1,425,857
Huntington Money Market Investment	33 days	40,000
Van Kampen Equity Income	< one year	25,004
STAR Ohio	58.3 days	6,548,095
		<u><u>\$8,038,956</u></u>

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



**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**NOTE 4 - DEPOSITS AND INVESTMENTS** (continued)

*Credit Risk* – State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The School District’s investment policy does not further limit its investment choices. The School District’s investment in STAR Ohio is rated AAAM by Standard & Poor’s. The School District’s investment in Van Kampen Equity and Income Fund and Huntington Money Market Fund is not rated.

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

*Concentration of Credit Risk* - The School District places no limits on the amount the School District may invest in any one issuer. Of the School District’s investments at June 30, 2011, 81% was invested in STAR Ohio and 18% was invested in a repurchase agreement.

**NOTE 5 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District.

Real property tax receipts received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**NOTE 5 - PROPERTY TAXES** (continued)

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied against local inter-change telephone companies in the prior calendar year on assessed values as of December 31, of that calendar year, at tax rates determined in the preceding year. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The percentages for telecommunications were reduced from 5 percent for 2010 to zero percent for 2011.

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

The School District receives property taxes from Warren County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes, which are measurable as of June 30, 2011, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue. The amount available as an advance is recognized as revenue. On an accrual basis, collectable property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

The amount available as an advance at June 30, 2011, was \$971,632 in the General Fund and \$28,638 in the Bond Retirement Debt Service Fund and \$32,775 in the Permanent Improvement Fund. The amount available as an advance at June 30, 2010, was \$545,353 in the General Fund and \$4,559 in the Bond Retirement Debt Service Fund and \$5,217 in the Permanent Improvement Fund.

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

**NOTE 5 - PROPERTY TAXES** (continued)

The assessed values upon which the fiscal year 2011 taxes were collected are:

	<u>2010 Second- Half Collections</u>		<u>2011 First- Half Collections</u>	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$372,328,240	95.05%	\$375,157,630	97.48%
Public Utility Personal	18,520,380	4.73%	9,709,618	2.52%
Tangible Personal Property	874,990	0.22%	0	0.00%
Total	<u>\$391,723,610</u>	<u>100.00%</u>	<u>\$384,867,248</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$62.48		\$63.28	

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2011, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), interfund, interest and intergovernmental grants. All receivables are considered collectible in full and will be received within one year.

A summary of intergovernmental receivables follows:

<u>Intergovernmental Receivable</u>	<u>Amounts</u>
<b>Governmental Activities:</b>	
Food Service reimbursement	\$1,072
Education Jobs	208,829
Title I	12,403
IDEA-B grant	311,389
ECSE	765
Title II-A	11,362
Race to the Top	65,160
Total Governmental Activities	<u>\$610,980</u>

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2011

**NOTE 7 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance 6/30/2010	Additions	Deletions	Balance 6/30/2011
<b>Governmental Assets</b>				
<i>Capital Assets, not being depreciated</i>				
Land	\$409,574	\$0	\$0	\$409,574
<i>Capital Assets, being depreciated</i>				
Land Improvements	1,097,071	291,179	0	1,388,250
Building and Improvements	15,612,823	1,224,396	0	16,837,219
Furniture/Equipment/Fixtures	3,291,782	12,988	(11,116)	3,293,654
Vehicles	1,317,227	5,015	0	1,322,242
Total Capital Assets, being depreciated	21,318,903	1,533,578	(11,116)	22,841,365
Less: Accumulated Depreciation				
Land Improvements	(463,939)	(34,812)	0	(498,751)
Building and Improvements	(4,429,827)	(184,191)	0	(4,614,018)
Furniture/Equipment/Fixtures	(1,424,398)	(146,868)	10,839	(1,560,427)
Vehicles	(550,791)	(64,184)	0	(614,975)
Total Accumulated Depreciation	(6,868,955)	(430,055)	10,839	(7,288,171)
Total Capital Assets, being depreciated, net	14,449,948	1,103,523	(277)	15,553,194
Governmental Activities Capital Assets, net	\$14,859,522	\$1,103,523	(\$277)	\$15,962,768

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**NOTE 7 - CAPITAL ASSETS** (continued)

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

Instruction:	
Regular	\$104,956
Special	5,476
Vocational	2,347
Support Services:	
Pupils	3,824
Instructional Staff	7,660
Board of Education	207
Administration	20,618
Fiscal	1,170
Operation and Maintenance of Plant	200,313
Transportation	57,654
Central	4,901
Operation of Non-Instructional Services	12,017
Extracurricular Activities	8,912
Total	<u><u>\$430,055</u></u>

**NOTE 8 - RISK MANAGEMENT**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, the School District contracted Trident for its insurance. Building/contents and boiler and machinery insurance have a \$64,561,500 limit. There is a \$1,000 deductible with this coverage.

General liability has a \$1 million single and \$3 million aggregate limit. Sexual misconduct has a \$1 million single and \$3 million aggregate limit. Errors and omission liability limit is \$1 million single and \$3 million aggregate. The deductible is \$2,500. The School District's vehicles are covered by Trident with a liability limit of \$1 million and uninsured motorist or underinsured limit of \$1 million. The deductible is \$250/\$500.

The School District carries performance bonds in the amount of \$20,000 for both the superintendent and board president. These bonds are held by the Traveler's Casualty and Surety Company of America. In addition, the business manager has a bond for \$50,000 with Trident. The Cincinnati Insurance Company maintains a \$20,000 public official bond for the Treasurer. Indiana National Insurance Group holds a \$25,000 blanket bond for all other employees with a \$1,000 deductible. Ohio Casualty holds a \$50,000 employee blanket bond, \$25,000 for money and securities and \$50,000 for forgery with no deductible.

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**NOTE 8 - RISK MANAGEMENT** (continued)

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

**B. Workers' Compensation**

For fiscal year 2011, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as on experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Hunter Consulting provides administrative, cost control and actuarial services to the GRP.

**NOTE 9 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

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

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

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**NOTE 9 - DEFINED BENEFIT PENSION PLANS** (continued)

For fiscal year 2011, the allocation to pension and death benefits is 11.81 percent of annual covered salary. The remaining 1.43 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds.

The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$397,325, \$570,602, and \$341,218, respectively; 48.10 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**B. State Teachers Retirement System of Ohio**

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

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

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

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**NOTE 9 - DEFINED BENEFIT PENSION PLANS** (continued)

Funding Policy - For the fiscal year ended June 30, 2011, 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.

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, 2011, 2010, and 2009 were \$1,765,536, \$1,709,708, and \$1,639,908, respectively; 82.89 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**NOTE 10 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

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

Medicare Part B Plan – The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999, Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$25,569, \$33,932, and \$28,153, and, respectively; 48.10 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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



**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**NOTE 10 - POSTEMPLOYMENT BENEFITS** (continued)

SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2011, the health care allocation is 1.43 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund.

The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$123,491, \$95,104, and \$202,988, respectively; 18.7 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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

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

**B. State Teachers Retirement System of Ohio**

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

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**NOTE 10 - POSTEMPLOYMENT BENEFITS** (continued)

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

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, 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, 2011, 2010, and 2009 were \$135,810, \$131,516, and \$126,147, respectively; 82.89 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**NOTE 11 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn five to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and administrators do not earn vacation time, with the exception of the Superintendent, Assistant Superintendent, Curriculum Coordinator and Treasurer.

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

**B. Insurance Benefits**

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

**C. Deferred Compensation**

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

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2011

**NOTE 12 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2011 were as follows:

	Amount Outstanding 6/30/2010	Additions	Deletions	Amount Outstanding 6/30/2011	Amount Due in One Year
Governmental Activities					
School Improvement Refunding					
1997 3.75 to 5.2%	\$551,791	\$0	(\$123,570)	\$428,221	\$118,266
Library Bond					
2001 3.45 to 5.9%	140,000	0	(70,000)	70,000	70,000
Energy Conservation Bonds 5.5%	0	959,000	(63,933)	895,067	63,933
Library Improvement Refunding Bonds 2007					
Serial Bonds 4.0 to 4.2%	895,000	0	(30,000)	865,000	30,000
Term Bonds 4.35%	1,295,000	0	0	1,295,000	0
Capital Appreciation Bonds 4.35%	121,222	18,014	0	139,236	0
Premium on Refunding Bonds	170,019	0	(8,096)	161,923	0
Accounting Loss	(114,294)	0	5,442	(108,852)	0
<b>Total General Obligation Bonds</b>	<b>3,058,738</b>	<b>977,014</b>	<b>(290,157)</b>	<b>3,745,595</b>	<b>282,199</b>
Compensated Absences	1,929,539	155,329	(146,485)	1,938,383	213,451
<b>Total Governmental Activities</b>					
Long-Term Liabilities	<u>\$4,988,277</u>	<u>\$1,132,343</u>	<u>(\$436,642)</u>	<u>\$5,683,978</u>	<u>\$495,650</u>

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

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

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

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**NOTE 12 - LONG-TERM OBLIGATIONS** (continued)

On July 17, 2007, the School District issued Library Improvement Refunding bonds. \$980,000 is serial bonds with interest rates ranging from 4% to 4.2% with a final maturity on December 1, 2018. \$1,295,000 is term bonds with an interest rate of 4.35% maturing December 1, 2030. \$79,997 is capital appreciation bonds (maturity amount of \$135,000 on December 1, 2019 and 2022 and \$140,000 on December 1, 2020 and 2021). The capital appreciation bonds were accreted \$18,014 in fiscal year 2011.

In the prior year, the School District defeased Library Improvement Refunding bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the School District's financial statements. On June 30, 2011, \$2,355,000 of the library bonds are considered to be defeased and the liability for this portion of the bonds is no longer shown outstanding in the above table.

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

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

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

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

The School District's voted legal debt margin was \$35,311,781, energy conservation debt margin of \$2,504,805, and an un-voted debt margin of \$384,867 at June 30, 2011.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2011, are as follows:

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2011

**NOTE 12 - LONG-TERM OBLIGATIONS** (continued)

Fiscal Year Ending June 30,	School Improvement & Library Bonds			Energy Conservation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$218,266	\$259,164	\$477,430	\$63,933	\$52,745	\$116,678
2013	220,147	257,891	478,038	63,933	52,745	116,678
2014	218,236	260,302	478,538	63,933	52,745	116,678
2015	211,572	262,365	473,937	63,933	52,745	116,678
2016	120,000	74,238	194,238	63,933	52,745	116,678
2017-2021	650,000	305,460	955,460	319,670	263,730	583,400
2022-2025	715,000	253,605	968,605	255,732	184,604	440,336
2026-2031	855,000	96,244	951,244			0
Total	<u>\$3,208,221</u>	<u>\$1,769,269</u>	<u>\$4,977,490</u>	<u>\$895,067</u>	<u>\$712,059</u>	<u>\$1,607,126</u>

**NOTE 13 – FUND BALANCE**

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

Fund Balance	General	Other	Total
		Governmental Funds	Governmental Funds
Nonspendable:			
Inventory	\$ -	\$ 18,906	\$ 18,906
Restricted for:			
Food Service	-	15,474	15,474
Athletics	-	66,155	66,155
Capital Improvements	-	109,798	109,798
Debt Service	-	1,101,950	1,101,950
State and Federal Grants	-	303,309	303,309
Total Restricted	<u>-</u>	<u>1,596,686</u>	<u>1,596,686</u>
Committed to:			
Permanent Improvements	-	837,918	837,918
Assigned for:			
Capital Improvements	-	1,000	1,000
Unpaid Obligations	427,474	-	427,474
FY 12 Appropriations	2,096,158	-	2,096,158
Public School Supprt	41,891	-	41,891
Total Assigned	<u>2,565,523</u>	<u>1,000</u>	<u>2,566,523</u>
Unassigned	<u>883,303</u>	<u>(101,689)</u>	<u>781,614</u>
Total Fund Balance	<u>\$ 3,448,826</u>	<u>\$ 2,352,821</u>	<u>\$ 5,801,647</u>

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS**

Southwestern Ohio Computer Association (SWOCA)

The District is a participant in the Southwestern Ohio Computer Association (SWOCA), which is an information technology center which provides on-line computerized services to the member school districts. SWOCA provides services to the member school districts within the boundaries of Butler, Hamilton, Preble, and Warren Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The governing board of SWOCA consists of one representative from each of the participating members plus one representative from the fiscal agent. The School District paid SWOCA \$125,672 for services provided during the fiscal year. Financial information can be obtained from K. Michael Crumley, Executive Director of SWOCA at 3607 Hamilton-Middletown Road, Hamilton, Ohio 45011.

Warren County Career Center

The Warren County Career Center, a jointly governed organization, is a district political subdivision of the State of Ohio operated under the direction of a seven-member Board which possesses its own budgeting and taxing authority. The Board is appointed by Franklin, Kings, Lebanon, Little Miami, Springboro and Waynesville School Districts, one from each of the six districts and a seventh member from one of those districts in a rotation schedule. Accordingly, the Warren County Career Center is not part of the District and its operations are not included as part of the reporting entity. During fiscal year 2011, the School District paid \$1,852 to the Warren County Career Center. Financial information can be obtained from Karen R. Royer, Treasurer, at 3525 N. St. Rt. 48, Lebanon, Ohio 45036.

Southwestern Ohio Educational Purchasing Council

The School District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of 126 school districts in 18 counties. The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges or other assessments as established by the SOEPC. Each member district has one voting representative. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2011, the School District paid \$66,605 to SOEPC. To obtain financial information, write the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Vandalia, OH 45377.

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS** (continued)

Southwestern Ohio Instructional Technology Association

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

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

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2011, the School District paid \$18,886 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Larry Pogue, who serves as Executive Director, at 150 East Sixth Street, Franklin, Ohio 45005.

**NOTE 15 - INSURANCE PURCHASING POOL**

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

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

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**NOTE 16 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, 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, 2011.

**B. Litigation**

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

**NOTE 17 - ACCOUNTABILITY**

At June 30, 2011, the State Fiscal Stabilization Funds, Title I, and Title II-A special revenue funds had deficit fund balances of \$1,627, \$96,823, and \$3,239, respectively, which were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**NOTE 18 – SET-ASIDE CALCULATIONS AND FUND RESERVES**

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

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



**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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

	Textbooks and Instructional Material	Capital Acquisitions
Set-aside Reserve Balance as of June 30, 2010	(\$923,440)	\$0
Current Year Set-aside Requirement	413,148	413,148
Qualifying Disbursements	(473,627)	(998,111)
Totals	<u>(\$983,919)</u>	<u>(\$584,963)</u>
Set-aside Balances Carried Forward to Future Fiscal Years	<u>(\$983,919)</u>	<u>\$0</u>
Set-aside Reserve Balances as of June 30, 2011	<u>\$0</u>	<u>\$0</u>

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

**NOTE 19 – DONOR RESTRICTED ENDOWMENTS**

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

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**NOTE 20 – INTERFUND ACTIVITY**

At June 30, 2011, the General Fund had a receivable of \$115,000. The Race to the Top and Title VI-B had interfund payables of \$562 and \$114,438, respectively. The receivable was a result of negative cash balances in the funds at fiscal year-end due to the timing of the receipt of grant dollars. The monies will be repaid in fiscal year 2012 when grant dollars are received.

**NOTE 21 – CHANGES IN ACCOUNTING PRINCIPLE**

For fiscal year 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type definitions. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned, and/or unassigned. The implementation of this statement had the following effects on fund balance:

	General	Other Governmental Funds	Total Governmental Funds
Fund Balance June 30, 2010	\$ 3,897,170	\$ 1,918,675	\$ 5,815,845
Change in Fund Structure	64,130	(64,130)	-
Adjusted Fund Balance June 30, 2010	\$ 3,961,300	\$ 1,854,545	\$ 5,815,845

**NOTE 22 – SUBSEQUENT EVENT**

House Bill 30 eliminated the requirement to put money into the set-aside for textbooks and instructional materials. It was effective July 1, 2011.

FRANKLIN CITY SCHOOL DISTRICT  
WARREN COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education</i>						
Child Nutrition Cluster:						
Non-Cash Assistance (Food Distribution):						
National School Lunch Program	n/a	10.555	0	\$131,742	0	\$131,742
Cash Assistance:						
School Breakfast Program	3L70	10.553	\$129,755	0	\$129,755	0
National School Lunch Program	3L60	10.555	481,384	0	481,384	0
Total Child Nutrition Cluster			<u>611,139</u>	<u>131,742</u>	<u>611,139</u>	<u>131,742</u>
Total U.S. Department of Agriculture			<u><b>611,139</b></u>	<u><b>131,742</b></u>	<u><b>611,139</b></u>	<u><b>131,742</b></u>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education</i>						
Special Education Cluster:						
Special Education Grants to States	3M20	84.027	118,783	0	105,791	0
Special Education Grants to States	3M20	84.027	412,621	0	556,231	0
Special Education Preschool Grants	3C50	84.173	(59)	0	454	0
Special Education Preschool Grants	3C50	84.173	8,077	0	8,077	0
ARRA - Special Education Grants to States	3DJ0	84.391	32,932	0	87,282	0
ARRA - Special Education Grants to States	3DJ0	84.391	191,436	0	162,248	0
ARRA - Special Education Preschool Grants	3DL0	84.392	15,041	0	15,041	0
Total Special Education Cluster			<u>778,831</u>	<u>0</u>	<u>935,124</u>	<u>0</u>
Title I Cluster:						
Title I Grants to Local Educational Agencies	3M00	84.010	15,721	0	16,920	0
Title I Grants to Local Educational Agencies	3M00	84.010	534,563	0	531,753	0
ARRA - Title I Grants to Local Educational Agencies	3DK0	84.389	12,140	0	16,291	0
ARRA - Title I Grants to Local Educational Agencies	3DK0	84.389	135,041	0	129,758	0
Total Title I Cluster			<u>697,465</u>	<u>0</u>	<u>694,722</u>	<u>0</u>
Safe and Drug-Free Schools and Communities State Grants	3D10	84.186	(1,000)	0	0	0
Safe and Drug-Free Schools and Communities State Grants	3D10	84.186	2,315	0	2,315	0
Total CFDA Number 84.186			<u>1,315</u>	<u>0</u>	<u>2,315</u>	<u>0</u>
Title IID - Technology Program	3S20	84.318	1,781	0	1,781	0
Total CFDA Number 84.318			<u>1,781</u>	<u>0</u>	<u>1,781</u>	<u>0</u>
Improving Teacher Quality State Grants	3Y60	84.367	14,656	0	21,715	0
Improving Teacher Quality State Grants	3Y60	84.367	164,818	0	152,229	0
Total CFDA Number 84.37			<u>179,474</u>	<u>0</u>	<u>173,944</u>	<u>0</u>
State Fiscal Stabilization Fund (SFSF) - Education State Grants	GRF	84.394	693,117	0	693,117	0
Total CFDA Number 84.394			<u>693,117</u>	<u>0</u>	<u>693,117</u>	<u>0</u>
Race to the Top		84.395	5,038	0	5,600	0
Total CFDA Number 84.395			<u>5,038</u>	<u>0</u>	<u>5,600</u>	<u>0</u>
Education Jobs		84.410	250,318	0	230,609	0
Total CFDA Number 84.410			<u>250,318</u>	<u>0</u>	<u>230,609</u>	<u>0</u>
Total U.S. Department of Education			<u><b>2,607,339</b></u>	<u><b>0</b></u>	<u><b>2,737,212</b></u>	<u><b>0</b></u>
<b>Total</b>			<u><b>\$3,218,478</b></u>	<u><b>\$131,742</b></u>	<u><b>\$3,348,351</b></u>	<u><b>\$131,742</b></u>

The accompanying notes are an integral part of this schedule.

**FRANKLIN CITY SCHOOL DISTRICT  
WARREN COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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



# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Franklin City School District, Warren County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements. We have issued our report thereon dated February 13, 2012, wherein we noted that the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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 District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 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 did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated February 13, 2012.

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

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

**Dave Yost**  
Auditor of State

February 13, 2012



# Dave Yost • Auditor of State

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

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

To the Board of Education:

### Compliance

We have audited the compliance of the Franklin City School District, Warren County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the 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 included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the 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 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 District's compliance with those requirements.

In our opinion, the Franklin City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2011.

### Internal Control Over Compliance

The 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 District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

Corporate Centre of Blue Ash, 11117 Kenwood Road, Blue Ash, Ohio 45242  
Phone: 513-361-8550 or 800-368-7419 Fax: 513-361-8577

[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, 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, Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

**Dave Yost**  
Auditor of State

February 13, 2012



**FRANKLIN CITY SCHOOL DISTRICT  
WARREN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2011**

**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 significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster CFDA# 84.027, 84.173, 84.391, 84.392
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

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

None

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

Franklin CSD  
Warren County  
150 E 6<sup>th</sup> Street  
Franklin, Ohio 45005

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

1. We noted the Board amended its anti-harassment policy at its meeting on March, 21, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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 and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Dave Yost".

**Dave Yost**  
Auditor of State

February 13, 2012

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# Dave Yost • Auditor of State

FRANKLIN CITY SCHOOL DISTRICT

WARREN COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MARCH 8, 2012