



Dave Yost • Auditor of State



**FRANKLIN CITY SCHOOL DISTRICT  
WARREN COUNTY**

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FRANKLIN CITY SCHOOL DISTRICT  
WARREN COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

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

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Franklin City School District, Warren County, Ohio (the School District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Franklin City School District, Warren County, Ohio, as of June 30, 2016, and the respective changes in financial position and the budgetary comparison for the General and thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

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

#### *Supplementary and Other Information*

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

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2017, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

February 13, 2017

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**Franklin City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*

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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, 2016. 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 2016 are as follows:

- In total, net position increased \$1,052,813, which represents a 4 percent increase from 2015.
- General revenues accounted for \$31,093,316 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 \$5,925,213 or 16 percent of total revenues of \$37,018,529.
- The School District had \$35,965,716 in expenses, up from \$32,601,613 in prior year.
- The General Fund had \$32,033,411 in revenues and \$30,929,911 in expenditures. The General Fund's balance increased \$1,103,540 in fiscal year 2016.

**GASB 68**

The School District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

**Franklin City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*

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Under the new standards required by GASB 68, the net pension liability equals the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

**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.

**Franklin City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*

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

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

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

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2016?" The statement of net position and the statement of activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

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

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

#### *Fund Financial Statements*

The analysis of the School District's major fund begins on page 10. 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.

**Franklin City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*

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

**The School District as a Whole**

Table 1 provides a summary of the School District's net position for 2016 compared to 2015:

Table 1 Net Position		Governmental Activities	
	2015	2016	
<b>Assets</b>			
Current and Other Assets	\$22,459,263	\$26,007,937	
Capital Assets	15,661,191	15,732,071	
Total Assets	<u>38,120,454</u>	<u>41,740,008</u>	
Deferred Outflows of Resources	<u>2,797,840</u>	<u>5,866,743</u>	
<b>Liabilities</b>			
Long-Term Liabilities	42,647,809	45,618,756	
Other Liabilities	3,044,259	3,506,046	
Total Liabilities	<u>45,692,068</u>	<u>49,124,802</u>	
Deferred Inflows of Resources	<u>19,612,191</u>	<u>21,819,101</u>	
<b>Net Position</b>			
Invested in Capital Assets, Net of Debt	15,021,856	15,156,669	
Restricted	1,097,715	886,766	
Unrestricted	<u>(40,505,536)</u>	<u>(39,376,587)</u>	
Total Net Position	<u><u>(\$24,385,965)</u></u>	<u><u>(\$23,333,152)</u></u>	

Long-term liabilities increased as the School District net pension liability increased \$3 million.

Unrestricted net position increased \$1,128,949. Unrestricted net position is the part of net position that can be used to finance day-to-day activities without constraints established by grants or legal requirements.

**Franklin City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*

Table 2 shows the changes in net position for fiscal year 2015 and 2016.

Table 2  
Change in Net Position

	<b>Governmental Activities</b>		<b>Percentage Change</b>
	<b>2015</b>	<b>2016</b>	
<b>Revenues</b>			
Program Revenues:			
Charges for Services	\$2,439,090	\$2,213,702	-9.24%
Operating Grants and Contributions	3,712,805	3,711,511	(0.03)
Total Program Revenues	<u>6,151,895</u>	<u>5,925,213</u>	(3.68)
General Revenues			
Property Taxes	15,302,869	14,719,910	(3.81)
Grants and Entitlements Not Restricted	15,235,951	16,216,550	6.44
Other	118,409	156,856	32.47
Total General Revenues	<u>30,657,229</u>	<u>31,093,316</u>	1.42
Total Revenues	<u>36,809,124</u>	<u>37,018,529</u>	0.57
 Program Expenses			
Instruction	20,959,740	22,828,310	8.92
Support Services:			
Pupils and Instructional Staff	2,234,564	2,558,124	14.48
Board of Education, Administration, Fiscal and Business	2,938,917	3,091,373	5.19
Operation and Maintenance of Plant	2,510,386	2,710,192	7.96
Pupil Transportation	1,209,920	1,172,208	(3.12)
Central	394,210	404,591	2.63
Operation of Non-Instructional Services	1,868,154	2,320,915	24.24
Extracurricular Activities	695,690	767,166	10.27
Interest and Fiscal Charges	189,574	112,837	(40.48)
Total Expenses	<u>33,001,155</u>	<u>35,965,716</u>	8.98
Change in Net Position	3,807,969	1,052,813	(72.35)
Net Position, Beginning of Year	<u>(28,193,934)</u>	<u>(24,385,965)</u>	(13.51)
Net Position, End of Year	<u>(\$24,385,965)</u>	<u>(\$23,333,152)</u>	(4.32)

Charges for services revenue decreased due to book fees.

Other increased due to an approximately \$20,000 increase in payments in lieu of taxes.

Classified and certified staff received a 2.5% increase in accordance with their negotiated agreements.

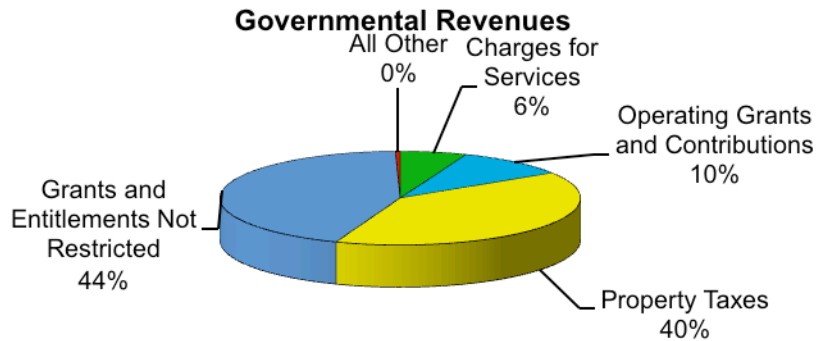
Interest and Fiscal Charges continued to decrease for fiscal year 2016 as the School District continues to pay down its debt obligations.

**Franklin City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*

While expenses increased 8.98%, revenues were able to support the increase, enabling a \$1 million increase in net position.

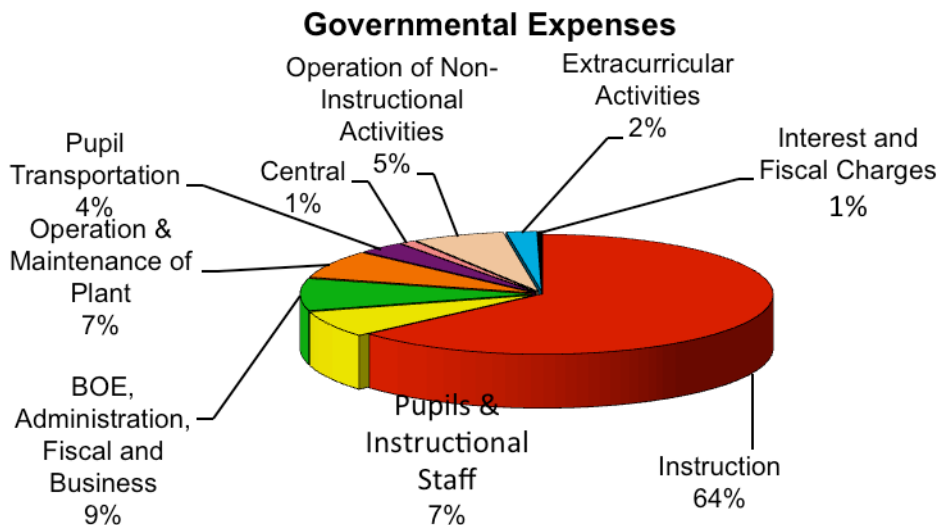
**Governmental Activities**

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for School District operations. Property taxes make up 40 percent of revenues for governmental activities for Franklin City School District for fiscal year 2016.



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



**Franklin City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*

Table 3  
 Total and Cost of Program Services  
 Governmental Activities

	Total Cost of Services 2015	Net Cost of Services 2015	Total Cost of Services 2016	Net Cost of Services 2016
Instruction	\$20,959,740	(\$17,631,565)	\$22,828,310	(\$19,882,146)
Support Services:				
Pupils and Instructional Staff	2,234,564	(1,954,858)	2,558,124	(2,233,353)
Board of Education, Administration, Fiscal and Business	2,938,917	(2,824,222)	3,091,373	(2,973,684)
Operation and Maintenance of Plant	2,510,386	(2,431,229)	2,710,192	(2,699,340)
Pupil Transportation	1,209,920	(1,194,508)	1,172,208	(1,172,168)
Central	394,210	(394,210)	404,591	(404,591)
Operation of Non-Instructional Services	1,468,612	136,633	2,320,915	(25,728)
Extracurricular Activities	695,690	(365,727)	767,166	(536,656)
Interest and Fiscal Charges	189,574	(189,574)	112,837	(112,837)
Total Expenses	<u>\$32,601,613</u>	<u>(\$26,849,260)</u>	<u>\$35,965,716</u>	<u>(\$30,040,503)</u>

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

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

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

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

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

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

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

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.

**Franklin City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*

The dependence upon tax revenues is apparent as no program is able to support itself. Over 87 percent of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 84 percent. Taxes along with state foundation monies are the primary support for the Franklin City School District.

**The School District's Funds**

Information about the School District's major fund starts on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$36,593,465 and expenditures of \$35,742,403. The School District's General Fund balance increased \$1,103,540 during fiscal year 2016.

**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 2016, the School District amended its General Fund budget numerous times, which resulted in appropriations decreasing \$592,225. 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 \$33,253,268. The original budgeted estimate was \$32,260,106. Increases resulted from increases in property taxes and intergovernmental revenues.

**Capital Assets**

At the end of fiscal year 2016, the School District had \$15,732,071 invested in land, land improvements, buildings and improvements, furniture, fixtures and equipment, and vehicles.

Table 4 shows fiscal year 2016 balances compared to 2015.

	<b>Governmental Activities</b>	
	2015	2016
Land	\$409,574	\$409,574
Land Improvements	1,438,952	1,438,952
Buildings and Improvements	17,730,671	17,730,671
Furniture/Fixtures/Equipment	3,421,446	3,758,195
Vehicles	1,688,399	1,894,358
Less: Accumulated Depreciation	(9,027,851)	(9,499,679)
	\$15,661,191	\$15,732,071



**Franklin City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*

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Asset additions for fiscal year 2016 included technology infrastructure equipment and new school buses. The District disposed of a school bus during fiscal year 2016. For more information on capital assets, see Note 8 of the Basic Financial Statements.

**Debt Administration**

At June 30, 2016, the School District had outstanding debt in the amount \$2,563,552. 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.

The following table shows the long-term outstanding at fiscal year end:

	2015	2016
Governmental Activities		
Energy Conservation Bonds 5.5%	\$639,335	\$575,402
Library Improvement Refunding Bonds 2007		
Serial Bonds 4.0 to 4.2%	495,000	375,000
Term Bonds 4.35%	1,295,000	1,295,000
Capital Appreciation Bonds 4.35%	242,338	278,349
Premium on Refunding Bonds	129,539	121,443
Accounting Loss	(87,084)	(81,642)
 Total General Obligation Bonds	 \$2,714,128	 \$2,563,552

For more information on the School District's debt, see Note 13 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.

In February 2015, 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 million per year. The levy will expire December 31, 2020.

On May 6, 2014, the voters of the School District approved a 7.92 mill-operating levy for five years.

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.

**Franklin City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*

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**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@franklincityschools.com](mailto:jbellamy@franklincityschools.com).

**Franklin City School District***Statement of Net Position**June 30, 2016*

	<u>GOVERNMENTAL ACTIVITIES</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$8,774,969
Accrued Interest Receivable	481
Accounts Receivable	360,504
Intergovernmental Receivable	564,766
Inventory of Supplies and Materials	13,280
Prepaid Items	1,373
Property Taxes Receivable	16,292,564
Depreciable Capital Assets, Net	15,322,497
Non-Depreciable Capital Assets	409,574
Total Assets	<u>41,740,008</u>
Deferred Outflows of Resources:	
Deferred Charge on Refunding	81,642
Pension	5,785,101
Total Deferred Outflows of Resources	<u>5,866,743</u>
Liabilities:	
Accounts Payable	434,882
Accrued Wages and Benefits Payable	2,626,177
Intergovernmental Payable	437,181
Accrued Interest Payable	7,806
Long Term Liabilities:	
Due Within One Year	396,096
Due In More Than One Year:	
Net Pension Liability (See Note 10)	40,977,263
Other Amounts Due In More Than One Year	4,123,954
Unamortized Premium on Bonds	121,443
Total Liabilities	<u>49,124,802</u>
Deferred Inflows of Resources	
Property Taxes not Levied to Finance Current Year Operations	14,293,587
Payments in Lieu of Taxes not Intended to Finance Current Year Operations	160,647
Pension	7,360,867
Total Deferred Inflows of Resources	<u>21,815,101</u>
Net Position:	
Invested in Capital Assets, Net of Related Debt	15,156,669
Restricted for:	
Debt Service	251,246
Capital Projects	635,520
Unrestricted	(39,376,587)
Total Net Position	<u><u>(\$23,333,152)</u></u>

See Accompanying Notes to the Basic Financial Statements

**Franklin City School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2016

	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
	EXPENSES	CHARGES FOR SERVICES AND SALES	OPERATING GRANTS CONTRIBUTIONS AND INTEREST	TOTAL GOVERNMENTAL ACTIVITIES
Governmental Activities				
Instruction:				
Regular	\$16,208,008	\$1,429,130	\$224,031	(\$14,554,847)
Special	6,271,809	141,280	1,132,365	(4,998,164)
Vocational	247,388	3,358	16,000	(228,030)
Student Intervention Services	413	0	0	(413)
Other	100,692	0	0	(100,692)
Support Services:				
Pupils	1,916,691	0	274,322	(1,642,369)
Instructional Staff	641,433	0	50,449	(590,984)
Board of Education	23,906	0	0	(23,906)
Administration	2,161,956	0	117,689	(2,044,267)
Fiscal	706,071	0	0	(706,071)
Business	199,440	0	0	(199,440)
Operation and Maintenance of Plant	2,710,192	10,852	0	(2,699,340)
Pupil Transportation	1,172,208	40	0	(1,172,168)
Central	404,591	0	0	(404,591)
Operation of Non-Instructional Services	2,320,915	450,034	1,845,153	(25,728)
Extracurricular Activities	767,166	179,008	51,502	(536,656)
Interest and Fiscal Charges	112,837	0	0	(112,837)
<b>Total Governmental Activities</b>	<b>\$35,965,716</b>	<b>\$2,213,702</b>	<b>\$3,711,511</b>	<b>(30,040,503)</b>

General Revenues:

Property Taxes Levied for:

General Purposes	14,257,465
Capital Outlay	335,848
Debt Service	126,597
Grants and Entitlements not Restricted to Specific Programs	16,216,550
Gifts and Donations not Restricted to Specific Programs	14,440
Payment in Lieu of Taxes	123,232
Investment Earnings	7,850
Miscellaneous	11,334
<b>Total General Revenues</b>	<b>31,093,316</b>

Change in Net Position	1,052,813
Net Position Beginning of Year	(24,385,965)
<b>Net Position End of Year</b>	<b>(\$23,333,152)</b>

See Accompanying Notes to the Basic Financial Statements

**Franklin City School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2016*

	<u>GENERAL</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$6,427,566	\$2,347,403	\$8,774,969
<b>Receivables:</b>			
Property Taxes	15,765,061	527,503	16,292,564
Accounts	351,011	9,493	360,504
Accrued Interest	481	-	481
Intergovernmental	285,209	279,557	564,766
Interfund	5,389	-	5,389
Inventory of Supplies and Materials	-	13,280	13,280
Prepaid Items	1,373	-	1,373
<b>Total Assets</b>	<u>\$22,836,090</u>	<u>\$3,177,236</u>	<u>\$26,013,326</u>
<b>Liabilities:</b>			
Accounts Payable	\$92,030	\$342,852	\$434,882
Accrued Wages and Benefits Payable	2,407,887	218,290	2,626,177
Intergovernmental Payable	383,848	53,333	437,181
Interfund Payable	-	5,389	5,389
<b>Total Liabilities</b>	<u>2,883,765</u>	<u>619,864</u>	<u>3,503,629</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes not Levied to Finance Current Year Operations	13,835,846	457,741	14,293,587
Payment in Lieu of Taxes not Intended to Finance Current Year Operations	160,647	-	160,647
Unavailable Revenue	1,075,751	167,338	1,243,089
<b>Total Deferred Inflows of Resources</b>	<u>15,072,244</u>	<u>625,079</u>	<u>15,697,323</u>
<b>Fund Balances</b>			
Nonspendable	1,373	13,280	14,653
Restricted	-	1,327,757	1,327,757
Committed	-	610,533	610,533
Assigned	208,298	1,000	209,298
Unassigned	4,670,410	(20,277)	4,650,133
<b>Total Fund Balances</b>	<u>4,880,081</u>	<u>1,932,293</u>	<u>6,812,374</u>
<b>Total Liabilities, Deferred Inflows, and Fund Balances,</b>	<u>\$22,836,090</u>	<u>\$3,177,236</u>	<u>\$26,013,326</u>

See Accompanying Notes to the Basic Financial Statements

**Franklin City School District**  
*Reconciliation of the Total Governmental Fund Balances to  
 Net Position of Governmental Activities*  
 June 30, 2016

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Total Governmental Fund Balances \$6,812,374

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

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

Land	409,574	
Land Improvements	1,438,952	
Building and Improvements	17,730,671	
Furniture/Equipment/Fixtures	3,758,195	
Vehicles	1,894,358	
Accumulated Depreciation	<u>(9,499,679)</u>	15,732,071
Total Capital Assets		

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

Property Taxes	964,417	
Tuition and Fees and Rentals	138,533	
Interest	481	
Intergovernmental Grants	<u>139,658</u>	1,243,089

The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:

Deferred Outflows - Pension	5,785,101	
Deferred Inflows - Pension	(7,360,867)	
Net Pension Liability	<u>(40,977,263)</u>	(42,553,029)

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	(1,948,349)	
Energy Conservation Bomds	(575,402)	
Unamortized Premium on Refunding Bonds	(121,443)	
Accounting Loss	81,642	
Accrued Interest on Loans	(7,806)	
Compensated Absences	<u>(1,996,299)</u>	<u>(4,567,657)</u>

Net Position of Governmental Activities (\$23,333,152)

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, 2016*

	GENERAL	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Revenues:			
Property Taxes	\$13,770,800	\$453,023	\$14,223,823
Payment in Lieu of Taxes	123,232	-	123,232
Tuition and Fees	1,624,909	-	1,624,909
Interest	5,914	3,605	9,519
Intergovernmental	16,382,738	3,485,175	19,867,913
Extracurricular Activities	32,206	120,827	153,033
Charges for Services	-	450,630	450,630
Gifts and Donations	63,442	46,109	109,551
Rent	10,852	-	10,852
Miscellaneous	19,318	685	20,003
<b>Total Revenues</b>	<b>32,033,411</b>	<b>4,560,054</b>	<b>36,593,465</b>
Expenditures:			
Current:			
Instruction:			
Regular	15,280,958	512,072	15,793,030
Special	5,266,742	873,794	6,140,536
Vocational	226,702	-	226,702
Student Intervention Services	413	-	413
Other	80,151	-	80,151
Support Services:			
Pupils	1,609,470	298,294	1,907,764
Instructional Staff	559,046	66,403	625,449
Board of Education	23,699	-	23,699
Administration	2,075,295	276,877	2,352,172
Fiscal	754,349	6,870	761,219
Business	203,043	-	203,043
Operation and Maintenance of Plant	2,537,871	-	2,537,871
Pupil Transportation	1,245,349	-	1,245,349
Central	395,389	-	395,389
Operation of Non-Instructional Services	13,519	2,272,303	2,285,822
Extracurricular Activities	588,340	164,099	752,439
Capital Outlay	-	147,542	147,542
Debt Service:			
Principal Retirement	63,933	120,000	183,933
Interest and Fiscal Charges	5,642	74,238	79,880
<b>Total Expenditures</b>	<b>30,929,911</b>	<b>4,812,492</b>	<b>35,742,403</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>1,103,500</b>	<b>(252,438)</b>	<b>851,062</b>
Other Financing Sources (Uses):			
Proceeds from Sale of Capital Assets	40	35	75
<b>Total Other Financing Sources (Uses)</b>	<b>40</b>	<b>35</b>	<b>75</b>
<b>Net Change in Fund Balances</b>	<b>1,103,540</b>	<b>(252,403)</b>	<b>851,137</b>
<b>Fund Balances at Beginning of Year</b>	<b>3,776,541</b>	<b>2,184,696</b>	<b>5,961,237</b>
<b>Fund Balances at End of Year</b>	<b>\$4,880,081</b>	<b>\$1,932,293</b>	<b>\$6,812,374</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, 2016*

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Net Change in Fund Balances - Total Governmental Funds \$851,137

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	609,715	
Depreciation Expense	(497,793)	
Excess of Capital Outlay over Depreciation Expense		111,922

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 position 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		(41,042)
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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 position. In the current fiscal year, these amounts consist of:

General Obligation Bonds Principal Payments	120,000	
Energy Conservation Bonds Principal Payments	63,933	
		183,933

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

Accretion on General Obligation Capital Appreciation Bonds	(36,011)	
Amortization of Accounting Loss	(5,442)	
Amortization of Premium on Refunding Bonds	8,096	
		(33,357)

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	496,087	
Tuition and Fees and Rentals	(42,398)	
Interest	255	
Intergovernmental Grants	(28,955)	
		424,989

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 2,352,855

Except for amounts reported as deferred inflows/outflows, change in net pension liability are reported as pension expense in the statement of activities. (2,725,812)

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:

Decrease in Accrued Interest	400	
Increase in Compensated Absences	(72,212)	
		(71,812)

Change in Net Position of Governmental Activities \$1,052,813

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, 2016*

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
<b>Revenues:</b>				
Property Taxes	\$14,555,316	\$15,033,330	\$15,033,330	\$0
Tuition and Fees	1,644,372	1,669,809	1,669,809	-
Interest	1,772	5,914	5,914	-
Intergovernmental	15,864,064	16,391,197	16,391,197	-
Gifts and Donations	80,314	44,440	44,440	-
Rent	14,947	10,852	10,852	-
Miscellaneous	99,321	97,726	97,726	-
<b>Total Revenues</b>	<b>32,260,106</b>	<b>33,253,268</b>	<b>33,253,268</b>	<b>-</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	15,294,352	14,977,245	14,977,245	-
Special	5,524,232	5,243,547	5,243,547	-
Vocational	203,642	216,336	216,336	-
Student Intervention Services	16	413	413	-
Other	73,212	79,851	79,851	-
<b>Support Services:</b>				
Pupils	1,470,342	1,604,252	1,604,252	-
Instructional Staff	545,030	553,375	553,375	-
Board of Education	31,152	25,179	25,179	-
Administration	2,080,358	2,079,612	2,079,612	-
Fiscal	675,879	755,998	755,998	-
Business	195,197	204,657	204,657	-
Operation and Maintenance of Plant	2,585,419	2,554,588	2,554,588	-
Pupil Transportation	1,385,922	1,246,107	1,246,107	-
Central	399,439	397,607	397,607	-
Operation of Non-Instructional Services	16,000	13,519	13,519	-
Extracurricular Activities	592,884	528,923	528,923	-
<b>Debt Service</b>				
Principal	63,933	63,933	63,933	-
Interest and Fiscal Charges	6,000	5,642	5,642	-
<b>Total Expenditures</b>	<b>31,143,009</b>	<b>30,550,784</b>	<b>30,550,784</b>	<b>-</b>
<b>Excess of Revenues Under Expenditures</b>	<b>1,117,097</b>	<b>2,702,484</b>	<b>2,702,484</b>	<b>-</b>
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Capital Assets	2,441	40	40	-
Refund of Prior Year Expenditures	1,176	18	18	-
Insurance Recoveries	63,477	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>67,094</b>	<b>58</b>	<b>58</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>1,184,191</b>	<b>2,702,542</b>	<b>2,702,542</b>	<b>-</b>
Fund Balances at Beginning of Year	3,235,597	3,235,597	3,235,597	-
Prior Year Encumbrances Appropriated	194,504	194,504	194,504	-
<b>Fund Balances at End of Year</b>	<b>\$4,614,292</b>	<b>\$6,132,643</b>	<b>\$6,132,643</b>	<b>\$0</b>

See Accompanying Notes to the Basic Financial Statements

**Franklin City School District**  
*Statement of Fiduciary Net Position*  
*Fiduciary Funds*  
*June 30, 2016*

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	PRIVATE PURPOSE TRUST	
	SCHOLARSHIP	AGENCY
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$241,645	\$47,022
<b>Liabilities:</b>		
Accounts Payable	0	\$0
Due to Students	0	\$47,022
<b>Net Position:</b>		
Held in Trust for Scholarships		
Expendable	\$180,314	
Non-expendable	61,331	
Total Net Position	\$241,645	

See Accompanying Notes to the Basic Financial Statements

**Franklin City School District**  
*Statement of Changes in Fiduciary Net Position*  
*Fiduciary Fund*  
*For the Fiscal Year Ended June 30, 2016*

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	PRIVATE PURPOSE TRUST
	SCHOLARSHIP
Additions:	
Gifts and Contributions	\$191,647
Interest	8,487
Total Additions	200,134
Deductions:	
Payments in Accordance with Agreements	185,155
Change in Net Position	14,979
Net Position Beginning of Year	226,666
Net Position End of Year	\$241,645

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, 2016*

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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, 2016*

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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 three 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), and the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), respectively. These organizations are presented in Note 15 and 16 to the basic financial statements.

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

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

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

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

*Government-wide Financial Statements:*

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

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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

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

*Fund Financial Statements:*

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

**B. Fund Accounting**

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

*Governmental Funds:*

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

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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

**C. Measurement Focus**

*Government-wide Financial Statements:*

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

*Fund Financial Statements:*

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



**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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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 6). 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, 2016*

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

*Deferred Outflows/Inflows of Resources*

In addition to assets, the statements of net position and balance sheets will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding and for pension. A deferred charge on refunding results from the difference in carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources to pension are explained in Note 10.

In addition to liabilities, the statements of net position and balance sheets report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 10)

*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.

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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

During fiscal year 2016, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), INVESCO Equity and Income Fund, Franklin Income Fund, Fidelity Treasury 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, 2016.

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 2016 amounted to \$5,914, which includes \$3,219 assigned from other School District funds.

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

**F. Inventory**

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

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2016, are recorded as prepaid items using the consumption method. A current asset is recorded at the time of purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

**H. Capital Assets and Depreciation**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their acquisition 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.

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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

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

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	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, 2016*

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

**K. Pensions**

For purposes of measuring net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**L. Net Position**

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include activities for food service operations, music and athletic programs, debt service, and federal and state grants restricted to expenditures for specified purposes.

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

**M. Fund Balance**

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

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.

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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

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.

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.

**N. Deferred Charge on Refunding Bonds**

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

**O. Bond Discounts/Premiums**

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

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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

**P. 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.

**Q. Estimates**

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

**R. 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 2016. 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.

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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

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 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION**

For fiscal year 2016, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 72, “Fair Value Measurement and Application.” This statement addresses accounting and financial reporting issues related to the fair value of investments. This statement had no effect on net assets or fund balances. Additional disclosures required by the statement can be found in the notes to the financial statements.

For fiscal year 2016, the School District has implemented Governmental Accounting Standard Board Statement No. 73, “Accounting and Financial Reporting for Pensions and Related Assets that are not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.” This establishes requirements for defined benefit pension systems that are not within the scope of GASB Statement 68, as well as for the assets accumulated for purposes of providing those pensions. It also amends certain provisions of GASB Statements 67 and 68. This statement had no effect on net assets or fund balances.

For fiscal year 2016, the School District has implemented Governmental Accounting Standard Board Statement No. 76, “The Hierarchy of Generally Accepted Accounting Principles for state and Local Governments.” This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This statement had no effect on net assets or fund balances.

For fiscal year 2016, the School District has implemented Governmental Accounting Standard Board Statement No. 78, “Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans.” The objective of this statement is to address a practice issue regarding the scope and applicability of Statement 68. This statement had no effect on net assets or fund balances.

For fiscal year 2016, the School District has implemented Governmental Accounting Standard Board and Statement No. 79, “Certain External Investment Pools and Pool Participants.” This statement addresses accounting and financial reporting for certain external investment pools and pool participants. This statement had no effect on net assets or fund balances.



**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**NOTE 4 - BUDGET TO GAAP RECONCILIATION**

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

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

	General
GAAP Basis	\$1,103,540
Revenue Accruals	1,294,182
Expenditure Accruals	531,670
Perspective Differences	3,107
Encumbrances	(229,957)
Budget Basis	\$2,702,542

**NOTE 5 - 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, 2016*

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**NOTE 5 - 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, 2016*

**NOTE 5 - 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 \$3,250,689 and the bank balance was \$3,838,318. \$1,030,000 of the School District's deposits was insured by federal depository insurance. As of June 30, 2016, \$2,808,318 of the School District's bank balance of \$3,838,318 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***

Investments are reported at fair value. The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. At June 30, 2016, the School District had the following investments.

<u>Investments:</u>	<u>Level</u>	<u>Maturity</u>	<u>Fair Value</u>
Repurchase Agreement	1	1 day	\$2,182,505
Fidelity Treasury Money Market	1	49 days	2,670
Franklin Income mutual fund	1	5.58 years	35,608
INVESCO Equity & Income Fund	1	Not Available	33,083
STAR Ohio	1	48.6 days	3,559,081
			<u>\$5,812,947</u>

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**NOTE 5 - DEPOSITS AND INVESTMENTS** (continued)

*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.

*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 Franklin Income Fund, INVESCO Equity and Income Fund, and Fidelity Treasury 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, 2016, 61% was invested in STAR Ohio and 38% was invested in a repurchase agreement.

**NOTE 6 - PROPERTY TAXES**

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

Real property tax receipts received in calendar year 2016 represent the collection of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value.

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

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

**NOTE 6 - PROPERTY TAXES** (continued)

Real property and public utility taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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, 2016, are available to finance fiscal year 2016 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, 2016, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflow of resources. The amount available as an advance is recognized as revenue. On an accrual basis, collectable property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is shown as a deferred inflow of resources.

The amount available as an advance at June 30, 2016, was \$988,100 in the General Fund and \$10,199 in the Bond Retirement Debt Service Fund and \$26,261 in the Permanent Improvement Fund. The amount available as an advance at June 30, 2015, was \$444,450 in the General Fund and \$9,440 in the Bond Retirement Debt Service Fund and \$14,440 in the Permanent Improvement Fund.

The assessed values upon which the fiscal year 2016 taxes were collected are:

	2015 Second- Half Collections		2016 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$378,924,930	94.22%	\$389,877,060	94.20%
Public Utility Personal	23,268,020	5.78%	23,986,760	5.80%
<b>Total</b>	<b>\$402,192,950</b>	<b>100.00%</b>	<b>\$413,863,820</b>	<b>100.00%</b>
Tax Rate per \$1,000 of Assessed Valuation	\$65.90		\$65.78	

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2016, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), interfund, interest and intergovernmental grants. All receivables are considered collectible in full and will be received within one year.

A summary of intergovernmental receivables follows:

<u>Intergovernmental Receivable</u>	<u>Amounts</u>
Governmental Activities:	
Gax Tax Refund	\$1,330
TIF Service Payments	123,232
Middletown TIF	160,647
Title I	171,337
IDEA-B grant	80,265
Title II-A	27,955
Total Governmental Activities	<u>\$564,766</u>

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Balance 6/30/15	Additions	Deletions	Balance 6/30/16
<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	1,438,952	-	-	1,438,952
Building and Improvements	17,730,671	-	-	17,730,671
Furniture/Equipment/Fixtures	3,421,446	336,749	-	3,758,195
Vehicles	1,688,399	272,966	(67,007)	1,894,358
Total Capital Assets, being depreciated	24,279,468	609,715	(67,007)	24,822,176
Less: Accumulated Depreciation				
Land Improvements	(643,889)	(36,121)	-	(680,010)
Building and Improvements	(5,425,244)	(215,234)	-	(5,640,478)
Furniture/Equipment/Fixtures	(2,068,319)	(157,988)	-	(2,226,307)
Vehicles	(890,399)	(88,450)	25,965	(952,884)
Total Accumulated Depreciation	(9,027,851)	(497,793)	25,965	(9,499,679)
Total Capital Assets, being depreciated, net	15,251,617	111,922	(41,042)	15,322,497
Governmental Activities Capital Assets, net	\$15,661,191	\$111,922	(\$41,042)	\$15,732,071

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**NOTE 8 - CAPITAL ASSETS** (continued)

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

Instruction:	
Regular	\$101,498
Special	5,476
Vocational	1,379
Support Services:	
Pupils	3,824
Instructional Staff	7,660
Board of Education	207
Administration	39,624
Fiscal	1,170
Operation and Maintenance of Plant	226,199
Transportation	81,165
Central	13,253
Operation of Non-Instructional Services	11,873
Extracurricular Activities	4,465
Total	<u>\$497,793</u>

**NOTE 9 - 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 2016, the School District contracted Trident for its insurance. Building/contents and boiler and machinery insurance have a \$66,996,765 limit. There is a \$1,000 deductible with this coverage.

General liability and 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 also carries an addition \$1 million liability/auto umbrella (excess limit).

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



**Franklin City School District**  
*Notes to the Basic Financial Statements*  
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**NOTE 9 - 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 2016, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). 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 10 - DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension.

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

**NOTE 10 - DEFINED BENEFIT PENSION PLANS** (continued)

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

***Plan Description - School Employees Retirement System (SERS)***

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit
* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.		

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
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**NOTE 10 - DEFINED BENEFIT PENSION PLANS** (continued)

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. No portion of the 14 percent employer contribution rate was allocated to the Health Care Fund for fiscal year 2016.

The School District's contractually required contribution to SERS was \$564,884 for fiscal year 2016. Of this amount \$0 is reported as an intergovernmental payable.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS 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. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**NOTE 10 - DEFINED BENEFIT PENSION PLANS** (continued)

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$1,787,971 for fiscal year 2015. Of this amount \$279,692 is reported as an intergovernmental payable.

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

**NOTE 10 - DEFINED BENEFIT PENSION PLANS** (continued)

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$7,023,834	\$33,953,429	\$40,977,263
Proportion of the Net Pension Liability	0.123094%	0.1228546%	
Pension Expense	\$612,265	\$1,634,731	\$2,246,996

At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$100,444	\$1,464,955	\$1,565,399
Net difference between projected and actual earnings on pension plan investments	420,480	0	420,480
Difference between School District contributions and proportionate share of contributions	1,725	1,444,642	1,446,367
School District contributions subsequent to the measurement date	<u>564,884</u>	<u>1,787,971</u>	<u>2,352,855</u>
Total Deferred Outflows of Resources	<u>\$1,087,533</u>	<u>\$4,697,568</u>	<u>\$5,785,101</u>
<b>Deferred Inflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$794,685	\$6,309,535	\$7,104,220
Difference between School District contributions and proportionate share of contributions	<u>181,114</u>	<u>75,533</u>	<u>256,647</u>
Total Deferred Inflows of Resources	<u>\$975,799</u>	<u>\$6,385,068</u>	<u>\$7,360,867</u>

\$2,352,855 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

**NOTE 10 - DEFINED BENEFIT PENSION PLANS** (continued)

Fiscal Year Ending June 30:	SERS	STRS	Total
2017	(\$175,894)	(\$1,219,275)	(\$1,395,169)
2018	(\$175,894)	(\$1,219,275)	(\$1,395,169)
2019	(\$175,894)	(\$1,219,273)	(\$1,395,167)
2020	\$74,532	\$182,352	\$256,884
Total	<u>(\$453,150)</u>	<u>(\$3,475,471)</u>	<u>(\$3,928,621)</u>

***Actuarial Assumptions - SERS***

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

**NOTE 10 - DEFINED BENEFIT PENSION PLANS** (continued)

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	100.00 %	

**Discount Rate** The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
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**NOTE 10 - DEFINED BENEFIT PENSION PLANS** (continued)

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$9,739,534	\$7,023,834	\$4,736,991

***Actuarial Assumptions - STRS***

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS’ investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation		Long-Term Expected Real Rate of Return	
Domestic Equity	31.00	%	8.00	%
International Equity	26.00		7.85	
Alternatives	14.00		8.00	
Fixed Income	18.00		3.75	
Real Estate	10.00		6.75	
Liquidity Reserves	1.00		3.00	
<b>Total</b>	<b>100.00</b>	<b>%</b>		



**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

**NOTE 10 - DEFINED BENEFIT PENSION PLANS** (continued)

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$47,163,874	\$33,953,429	\$22,782,028

In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not know, the impact to the School District's net pension liability is expected to be significant.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

***School Employees Retirement System***

**Health Care Plan Description** - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**NOTE 11 - POSTEMPLOYMENT BENEFITS** (continued)

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan.

Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, 0 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. 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 the health care surcharge. For fiscal year 2016, the School District's surcharge obligation was \$62,573.

The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$62,573, \$88,291, and \$77,024 respectively. For fiscal year 2016, 0 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2015 and 2014.

***State Teachers Retirement System***

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can 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, 2016*

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**NOTE 11 - POSTEMPLOYMENT BENEFITS** (continued)

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2016, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$135,720, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

**NOTE 12 - 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 five 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 240 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 60 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, 2016*

**NOTE 13 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2016 were as follows:

	Amount Outstanding 6/30/15	Additions	Deletions	Amount Outstanding 6/30/16	Amount Due in One Year
Governmental Activities					
Energy Conservation Bonds 5.5%	\$639,335	\$0	(\$63,933)	\$575,402	\$63,933
Library Improvement Refunding Bonds 2007					
Serial Bonds 4.0 to 4.2%	495,000	-	(120,000)	375,000	120,000
Term Bonds 4.35%	1,295,000	-	-	1,295,000	-
Capital Appreciation Bonds 4.35%	242,338	36,011	-	278,349	-
Premium on Refunding Bonds	129,539	-	(8,096)	121,443	-
Accounting Loss	(87,084)	-	5,442	(81,642)	-
<b>Total General Obligation Bonds</b>	<b>2,714,128</b>	<b>36,011</b>	<b>(186,587)</b>	<b>2,563,552</b>	<b>183,933</b>
Net Pension Liability					
STRS	31,394,096	-	2,559,333	33,953,429	-
SERS	6,528,414	-	495,420	7,023,834	-
<b>Total Net Pension Liability</b>	<b>37,922,510</b>	<b>-</b>	<b>3,054,753</b>	<b>40,977,263</b>	<b>-</b>
Compensated Absences	1,924,087	290,164	(217,952)	1,996,299	212,163
Total Governmental Activities					
Long-Term Liabilities	<u>\$42,560,725</u>	<u>\$326,175</u>	<u>\$2,650,214</u>	<u>\$45,537,114</u>	<u>\$396,096</u>

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

On July 17, 2007, the School District issued Library Improvement Refunding bonds. \$980,000 is serial bonds with interest rates ranging from 4% to 4.2% with a final maturity on December 1, 2018. \$1,295,000 is term bonds with an interest rate of 4.35% maturing December 1, 2030. \$79,997 is capital appreciation bonds (maturity amount of \$135,000 on December 1, 2019 and 2022 and \$140,000 on December 1, 2020 and 2021). The capital appreciation bonds were accreted \$36,011 in fiscal year 2016.

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

**NOTE 13 - LONG-TERM OBLIGATIONS** (continued)

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 \$37,247,744 energy conservation debt margin of \$3,149,372, and an un-voted debt margin of \$413,864 at June 30, 2016.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2016, are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Library Bonds</u>			<u>Energy Conservation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$120,000	\$69,377	\$189,377	\$63,933	\$52,745	\$116,678
2018	125,000	64,355	189,355	63,933	52,745	116,678
2019	130,000	59,063	189,063	63,933	52,745	116,678
2020	23,929	167,404	191,333	63,933	52,745	116,678
2021	21,577	174,756	196,333	63,933	52,745	116,678
2022-2026	474,491	494,113	968,604	255,737	131,863	387,600
2027-2031	855,000	96,244	951,244	-	-	-
Total	1,749,997	1,125,312	<u>\$2,875,309</u>	<u>\$575,402</u>	<u>\$395,588</u>	<u>\$970,990</u>
Accretion	198,352	(198,352)				
	<u>\$1,948,349</u>	<u>\$926,960</u>				

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

**NOTE 14 – 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 Governmental Funds	Total Governmental Funds
Nonspendable:			
Inventory	\$ -	\$ 13,280	\$ 13,280
Prepays	1,373	-	1,373
Total Nonspendable	<u>1,373</u>	<u>13,280</u>	<u>14,653</u>
Restricted for:			
Food Service	-	484,541	484,541
Athletics	-	105,557	105,557
Debt Service	-	338,624	338,624
State and Federal Grants	-	399,035	399,035
Total Restricted	<u>-</u>	<u>1,327,757</u>	<u>1,327,757</u>
Committed to:			
Permanent Improvements	<u>-</u>	<u>610,533</u>	<u>610,533</u>
Assigned for:			
Capital Improvements	-	1,000	1,000
Unpaid Obligations	138,080	-	138,080
Public School Supprt	70,218	-	70,218
Total Assigned	<u>208,298</u>	<u>1,000</u>	<u>209,298</u>
Unassigned	4,670,410	(20,277)	4,650,133
Total Fund Balance	<u>\$ 4,880,081</u>	<u>\$ 1,932,293</u>	<u>\$ 6,812,374</u>

**NOTE 15- 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 \$162,365 for services provided during the fiscal year. Financial information can be obtained from K. Michael Crumley, Executive Director of SWOCA at 3611 Hamilton-Middletown Road, Hamilton, Ohio 45011.

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS** (continued)

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 2016, the School District paid \$210 to the Warren County Career Center. Financial information can be obtained from Cathy McMonigle, 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 153 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 2016, the School District paid \$500 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.

**NOTE 16 - 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, 2016*

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**NOTE 17 - CONTINGENCIES**

**A. Grants**

The School District receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2016.

**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.

**C. Foundation**

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional schools must comply with minimum hours of instructions, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school district, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the School District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to a liability of the School District.

**NOTE 18 – INTERFUND TRANSACTIONS**

At June 30, 2016, the Title IIA fund had a interfund payable for \$5,389 to the General Fund that was the result of negative cash balance. The negative cash balance will be eliminated when the grant dollars are received.

**NOTE 19 – SET-ASIDE CALCULATIONS AND FUND RESERVES**

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

The following cash basis information identifies the changes in the fund balance reserves for capital improvements during fiscal year 2016.



**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

**NOTE 19 – SET-ASIDE CALCULATIONS AND FUND RESERVES** (continued)

	Capital Acquisitions
Set-aside Reserve Balance as of June 30, 2015	\$0
Current Year Set-aside Requirement	505,679
Offsets - Permanent Improvement Levy	(303,771)
Qualifying Disbursements	(549,165)
Totals	(\$347,257)
Set-aside Balances Carried Forward to Future Fiscal Years	\$0
Set-aside Reserve Balances as of June 30, 2016	\$0

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

**NOTE 20 – FUND DEFICITS**

For fiscal year 2016, the Title VI-B, Title I and Title IIA had fund deficits of \$4,518, \$15,180, and 579, respectively. The negative fund balances will be eliminated when the grant dollars are received.

**NOTE 21 – DONOR RESTRICTED ENDOWMENTS**

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

**NOTE 22 – SUBSEQUENT EVENT**

The School District assessed events occurring subsequent to June 30, 2016, to October 30, 2016, for potential recognition and disclosure in the financial statements. No events were identified that would require adjustment to or disclosure in the financial statements.

**Franklin City School District**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*School Employees Retirement System of Ohio*  
*Last Three Fiscal Years (1)*

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	2015	2014	2013
School District's Proportion of the Net Pension Liability	0.1230935%	0.1289960%	0.1289960%
School District's Prportionate Share of the Net Pension Liability	\$7,023,834	\$6,528,414	\$7,670,978
School District's Covered Employee Payroll	\$4,034,886	\$3,786,234	\$3,511,626
School District's Proportionate Share of the Net Pension Liablity as a Percentage of its Covered-Employee Payroll	174.08%	172.43%	218.45%
Plan Fiduciary Net Position as a Percentage Of the Total Net Pension Liability	71.70%	71.70%	65.62%

(1) Information Prior to 2013 is not available

**Franklin City School District**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*State Teachers Retirement System of Ohio*  
*Last Three Fiscal Years (1)*

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	2015	2014	2013
School District's Proportion of the Net Pension Liability	0.12285464%	0.12906921%	0.12906921%
School District's Prportionate Share of the Net Pension Liability	\$33,953,429	\$31,394,096	\$37,396,445
School District's Covered Employee Payroll	\$12,771,221	\$14,201,717	\$13,933,336
School District's Proportionate Share of the Net Pension Liaiblity as a Percentage of its Covered-Employee Payroll	265.86%	221.06%	268.40%
Plan Fiduciary Net Position as a Percentage Of the Total Net Pension Liability	74.70%	74.70%	69.30%

(1) Information Prior to 2013 is not available

**Franklin City School District**  
*Required Supplementary Information*  
*Schedule of School District's Contributions*  
*School Employees Retirement System of Ohio*  
*Last Ten Fiscal Years*

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	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contributions	\$564,884	\$518,806	\$524,772	\$486,009
Contributions in Relation to the Contractually Required Contribution	<u>(564,884)</u>	<u>(518,806)</u>	<u>(524,772)</u>	<u>(486,009)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$4,034,886	\$3,936,313	\$3,511,626	\$3,511,626
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.18%	14.94%	13.84%

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2012	2011	2010	2009	2008	2007
\$491,289	\$422,894	\$604,534	\$369,371	\$321,302	\$404,100
<u>(491,289)</u>	<u>(422,894)</u>	<u>(604,534)</u>	<u>(369,371)</u>	<u>(321,302)</u>	<u>(404,100)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$3,652,706	\$3,364,312	\$4,464,801	\$3,753,770	\$3,271,914	\$3,563,492
13.45%	12.57%	13.54%	9.84%	9.82%	11.34%

**Franklin City School District**  
*Required Supplementary Information*  
*Schedule of School District's Contributions*  
*State Teachers Retirement System of Ohio*  
*Last Ten Fiscal Years*

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	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contributions	\$1,787,971	\$1,831,850	\$1,846,223	\$1,811,334
Contributions in Relation to the Contractually Required Contribution	<u>(1,787,971)</u>	<u>(1,831,850)</u>	<u>(1,846,223)</u>	<u>(1,811,334)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$12,771,221	\$13,084,643	\$14,201,715	\$13,933,336
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.00%	13.00%

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<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$1,723,028	\$1,765,536	\$1,709,708	\$1,639,908	\$1,575,778	\$1,516,444
<u>(1,723,028)</u>	<u>(1,765,536)</u>	<u>(1,709,708)</u>	<u>(1,639,908)</u>	<u>(1,575,778)</u>	<u>(1,516,444)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$13,254,061	\$13,581,046	\$13,151,601	\$12,614,677	\$12,121,372	\$11,664,957
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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**FRANKLIN CITY SCHOOL DISTRICT  
WARREN COUNTY**

**SCHEDULE OF FEDERAL AWARD EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2016**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Grant Year</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>	<b>Non-Cash Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<b>Passed Through Ohio Department of Education</b>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	2016	10.555		\$85,536
Cash Assistance:				
National School Breakfast Program	2016	10.553	\$207,824	0
National School Lunch Program	2016	10.555	615,565	0
Total Child Nutrition Cluster			<u>823,389</u>	<u>85,536</u>
<b>Total U.S. Department of Agriculture</b>			<b><u>823,389</u></b>	<b><u>85,536</u></b>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<b>Passed Through Ohio Department of Education</b>				
Special Education Cluster:				
Special Education Grants to States	2016	84.027	598,178	0
Special Education Grants to States	2015	84.027	29,132	0
Total Special Education Grants to States			<u>627,310</u>	<u>0</u>
Special Education - Preschool Grants	2016	84.173	0	0
Special Education - Preschool Grants	2015	84.173	5,891	0
Total Special Education - Preschool Grants			<u>5,891</u>	<u>0</u>
Total Special Education Cluster			<u>633,201</u>	<u>0</u>
Title I Grants to Local Educational Agencies	2016	84.010	668,984	0
Title I Grants to Local Educational Agencies	2015	84.010	96,006	0
Total Title I Grants to Local Educational Agencies			<u>764,990</u>	<u>0</u>
Title II-A Improving Teacher Quality State Grants	2016	84.367	142,721	0
Title II-A Improving Teacher Quality State Grants	2015	84.367	22,129	0
Total Title II-A Improving Teacher Quality State Grants			<u>164,850</u>	<u>0</u>
<b>Total U.S. Department of Education</b>			<b><u>1,563,041</u></b>	<b><u>0</u></b>
<b>Total Federal Awards</b>			<b><u><u>\$2,386,430</u></u></b>	<b><u><u>\$85,536</u></u></b>

*The accompanying notes are an integral part of this schedule.*

**FRANKLIN CITY SCHOOL DISTRICT  
WARREN COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2016**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Franklin City School District (the School District's) under programs of the federal government for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE C - CHILD NUTRITION CLUSTER**

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

**NOTE D – FOOD DONATION PROGRAM**

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



# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Franklin City School District, Warren County, (the School District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 13, 2017.

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

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

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

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

### ***Compliance and Other Matters***

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

***Purpose of this Report***

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

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

February 13, 2017



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Board of Education:

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

We have audited the Franklin City School District's (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Franklin City School's major federal program for the year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal program.

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

The School District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

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

Our responsibility is to opine on the School District's compliance for the School District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, the Franklin City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affects its major federal program for the year ended June 30, 2016.

**Report on Internal Control Over Compliance**

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

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

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

February 13, 2017

**FRANKLIN CITY SCHOOL DISTRICT  
WARREN COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2016**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control 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 weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I CFDA # 84.010
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	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

FRANKLIN CITY SCHOOL DISTRICT

WARREN COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
FEBRUARY 28, 2017