



Mary Taylor, CPA  
Auditor of State



**FRANKLIN CITY SCHOOL DISTRICT  
WARREN COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Franklin City School District, Warren County, Ohio (the School District), as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Franklin City School District, Warren County, Ohio, as of June 30, 2008, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2009, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements. The federal awards receipts and expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the schedule of federal awards expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

**Mary Taylor, CPA**  
Auditor of State

January 15, 2009

**Franklin City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*

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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, 2008. 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 2008 are as follows:

- In total, net assets increased \$3,973,308 which represents a 30 percent increase from 2007.
- General revenues accounted for \$28,949,213 in revenue or 87 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions and interest and capital grants and contributions accounted for \$4,144,555 or 13 percent of total revenues of \$33,093,768.
- Total assets of governmental activities increased by \$2,246,243, primarily due to an increase in capital assets. Capital assets increased \$2,792,680 as current year acquisitions was higher than depreciation expense.
- The School District had \$29,120,460 in expenses; only \$4,144,555 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily taxes and entitlements) of \$28,949,213 provided for these programs.
- The General Fund had \$28,056,812 in revenues and \$27,948,033 in expenditures. The General Fund's balance increased \$118,115 from 2007.
- During fiscal year 2008, the School District advance refunded a portion of the library bonds. The School District completed the advance refunding to reduce its total debt service payments over the next twenty-four years \$128,810 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$1,326,031.

**Franklin City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*

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

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

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

**Reporting the School District as a Whole**

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The statement of net assets and the statement of activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

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



**Franklin City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*

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

*Fund Financial Statements*

The analysis of the School District's major fund begins on page 9. Fund financial statements provide detailed information about the School District's major fund. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant fund. The School District's major governmental fund is the General Fund.

*Governmental Funds*

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

**The School District as a Whole**

Recall that the statement of net assets provides the perspective of the School District as a whole.

**Franklin City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*

Table 1 provides a summary of the School District's net assets for 2008 compared to 2007:

	Table 1	
	Net Assets	
	Governmental Activities	
	2007	2008
<b>Assets</b>		
Current and Other Assets	\$22,080,059	\$21,533,622
Capital Assets	10,890,528	13,683,208
Total Assets	32,970,587	35,216,830
<b>Liabilities</b>		
Long-Term Liabilities	5,188,941	4,961,999
Other Liabilities	14,640,894	13,140,771
Total Liabilities	19,829,835	18,102,770
<b>Net Assets</b>		
Invested in Capital Assets, net of Debt	9,920,540	10,201,011
Restricted	1,533,696	1,462,857
Unrestricted	1,686,516	5,450,192
Total Net Assets	\$13,140,752	\$17,114,060

An increase in capital assets contributed to total assets increasing for fiscal year 2008. Property taxes receivable decreased for fiscal year 2008 as the phase out of tangible personal property tax continues. In addition, the tax rate decreased from \$63.18 to \$62.58 from 2007 to 2008. Capital assets increased \$2,792,680 as capital asset additions outpaced yearly depreciation expense. During fiscal year 2008, the School District finished the new stadium. Unrestricted net assets increased \$3,763,676. Unrestricted net assets are the part of net assets that can be used to finance day-to-day activities without constraints established by grants or legal requirements. This was the fourth year in a row that unrestricted net assets increased by over \$2 million dollars.

**Franklin City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*

Table 2 shows the changes in net assets for fiscal year 2007 and 2008.

Table 2  
Change in Net Assets

	<b>Governmental Activities</b>		<b>Percentage Change</b>
	<u>2007</u>	<u>2008</u>	
<b>Revenues</b>			
Program Revenues:			
Charges for Services	\$1,360,967	\$1,325,572	-2.60%
Operating Grants and Contributions	2,600,528	2,670,962	2.71
Capital Grants and Contributions	533,017	148,021	(72.23)
Total Program Revenues	<u>4,494,512</u>	<u>4,144,555</u>	(7.79)
General Revenues			
Property Taxes	14,200,652	15,216,337	7.15
Grants and Entitlements Not Restricted	12,080,368	13,281,038	9.94
Other	578,410	451,838	(21.88)
Total General Revenues	<u>26,859,430</u>	<u>28,949,213</u>	7.78
Total Revenues	<u>31,353,942</u>	<u>33,093,768</u>	5.55
Program Expenses			
Instruction	16,059,648	17,195,837	7.07
Support Services:			
Pupils and Instructional Staff	2,504,107	2,659,759	6.22
Board of Education, Administration, Fiscal and Business	2,945,236	2,765,942	(6.09)
Operation and Maintenance of Plant	2,521,480	2,631,598	4.37
Pupil Transportation	994,728	1,146,088	15.22
Central	294,680	353,265	19.88
Operation of Non-Instructional Services	1,584,746	1,285,864	(18.86)
Extracurricular Activities	794,080	757,926	(4.55)
Interest and Fiscal Charges	148,772	324,181	117.90
Total Expenses	<u>27,847,477</u>	<u>29,120,460</u>	4.57
Increase in Net Assets	3,506,465	3,973,308	13.31
Net Assets, Beginning of Year	<u>9,634,287</u>	<u>13,140,752</u>	36.40
Net Assets, End of Year	<u>\$13,140,752</u>	<u>\$17,114,060</u>	30.24

\$135,500 in capital grants and contributions were donations for the stadium project. In prior year, the School District received \$495,750 in capital grants and contributions for the stadium project. The decrease in other revenue was due to an increase in interest as interest rates decreased. Property tax revenue continues to decrease with the phase out of personal property taxes. These monies are now reimbursed from the State and are included with grants and entitlements not restricted.

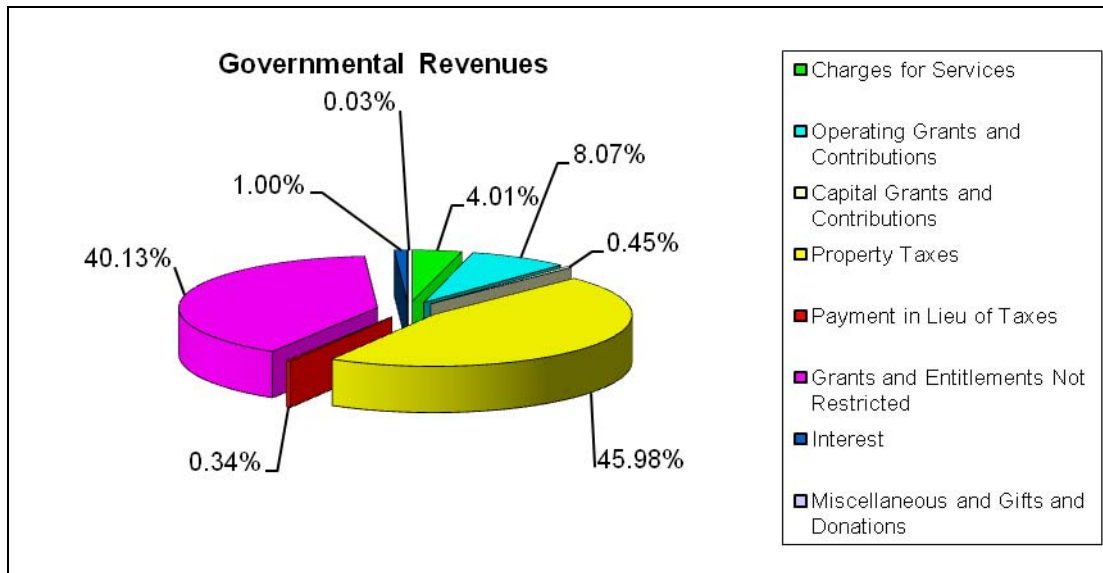
**Franklin City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*

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Overall, expenses increased 4.57 percent for fiscal year 2008. Contributing to the instruction expense increase was a 2.75% increase plus a 25<sup>th</sup> step to the FEA (teachers' union) membership and a 3.5% increase to the OAPSE (classified union) membership. Higher transportation expenses for increased diesel gas prices also contributed to extracurricular expenses increasing. Interest and fiscal charges increased as the School District refunded the library bonds during fiscal year 2008 and the School District is amortizing the accounting loss, the bond premium and the bond issuance costs.

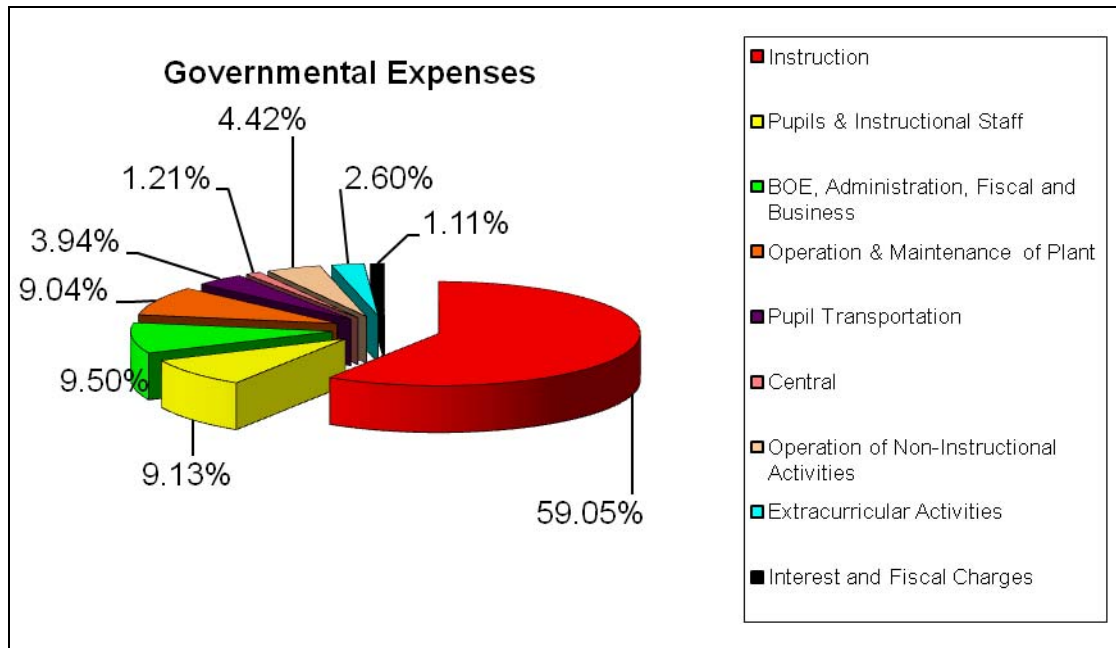
### Governmental Activities

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for the School District operations. Property taxes make up 45.98 percent of revenues for governmental activities for Franklin City School District for fiscal year 2008.



Instruction comprises 59.05 percent of district expenses. Support services expenses make up 32.82 percent of the expenses.

**Franklin City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*



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

Table 3  
 Total and Cost of Program Services  
 Governmental Activities

	Total Cost of Services 2007	Net Cost of Services 2007	Total Cost of Services 2008	Net Cost of Services 2008
Instruction	\$16,059,648	(\$14,311,973)	\$17,195,837	(\$15,582,429)
Support Services:				
Pupils and Instructional Staff	2,504,107	(2,167,337)	2,659,759	(2,234,950)
Board of Education, Administration, Fiscal and Business	2,945,236	(2,785,833)	2,765,942	(2,664,953)
Operation and Maintenance of Plant	2,521,480	(2,433,899)	2,631,598	(2,587,446)
Pupil Transportation	994,728	(976,403)	1,146,088	(1,116,299)
Central	294,680	(270,680)	353,265	(329,265)
Operation of Non-Instructional Services	1,584,746	(185,516)	1,285,864	207,395
Extracurricular Activities	794,080	(72,552)	757,926	(343,777)
Interest and Fiscal Charges	148,772	(148,772)	324,181	(324,181)
Total Expenses	<u>\$27,847,477</u>	<u>(\$23,352,965)</u>	<u>\$29,120,460</u>	<u>(\$24,975,905)</u>

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

**Franklin City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*

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

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

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

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

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

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

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

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

The dependence upon tax revenues is apparent. Over 91 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 \$32,137,916 and expenditures of \$32,185,116. The School District's General Fund balance continued to improve during fiscal year 2008 with an \$118,115 increase. This is the fourth straight year after three consecutive years of decreasing over \$600,000 that the General Fund has experienced an increase in fund balance. On August 2, 2005, the School District passed an emergency operating levy that has improved the fund balance of the General Fund.

**Franklin City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*

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**General Fund Budgeting Highlights**

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

During the course of fiscal year 2008, the School District amended its General Fund budget numerous times, which resulted in appropriations increasing \$32,505. One of the reasons for the increase was for increases in diesel fuel costs for buses. The School District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. Prior to fiscal year-end, the School District passed appropriations to match expenditures plus encumbrances.

For the General Fund, the final budget basis revenue estimate was \$27,860,349. The original budgeted estimate was \$26,977,325. Increases were due to the amount anticipated to be received for property taxes. The estimate for intergovernmental revenue increased due to the timing of revenues from the Ohio Department of Education.

**Capital Assets**

At the end of fiscal year 2008, the School District had \$13,683,208 invested in land, land improvements, buildings and improvements, furniture, fixtures and equipment, and vehicles.

Table 4 shows fiscal year 2008 balances compared to 2007.

	<b>Governmental Activities</b>	
	<u>2007</u>	<u>2008</u>
Land	\$409,574	\$409,574
Construction in Progress	12,853	0
Land Improvements	1,052,181	1,060,161
Buildings and Improvements	11,644,882	14,574,482
Furniture/Fixtures/Equipment	3,303,890	3,397,569
Vehicles	1,150,709	1,290,274
Less: Accumulated Depreciation	(6,683,561)	(7,048,852)
	<u>\$10,890,528</u>	<u>\$13,683,208</u>

Overall capital assets increased \$2,792,680 from fiscal year 2007 to fiscal year 2008. The primary reason for the increase is the completion of the stadium project. For more information on capital assets, see Note 7 of the Basic Financial Statements.

**Franklin City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*

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**Debt Administration**

At June 30, 2008, the School District had outstanding debt in the amount \$3,494,085. This debt includes a portion of the library bond debt in the amount \$270,000 that was approved by voters in November 2001. During fiscal year 2008, the School District advance refunded a portion of the library bonds. The School District completed the advance refunding to reduce its total debt service payments over the next twenty-four years \$128,810 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$1,326,031.

The School District has \$821,167 outstanding on the 1997 School Improvement Refunding Bonds.

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

**Current Financial Issues and Concerns**

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

On August 2, 2005, the voters of the School District passed a 9.79 mill, 5 year emergency operating levy. The levy is anticipated to generate approximately \$4,068,895. This levy will enable the School District to cover its expenses for the next few years with prudent spending. Passage of this levy has enabled the School District to improve its financial position. As a result, the School District's bond rating was increased from A2 to A3 in June 2007.

In conclusion, the Franklin City School District continues to be committed to improving our financial condition. Prior to the passage of the August 2005 levy, the School District voters last approved an operating levy in 1995. A conservative approach to spending has allowed many years to pass without requesting additional money from taxpayers.

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

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



**Franklin City School District**

*Statement of Net Assets*

*June 30, 2008*

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	<b>GOVERNMENTAL ACTIVITIES</b>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$8,811,003
Accrued Interest Receivable	6,621
Accounts Receivable	87,187
Intergovernmental Receivable	250,375
Inventory of Supplies and Materials	13,319
Prepaid Items	138
Property Taxes Receivable	12,303,949
Deferred Charges	61,030
Depreciable Capital Assets, Net	13,273,634
Non-Depreciable Capital Assets	409,574
Total Assets	<u>35,216,830</u>
<b>Liabilities:</b>	
Accounts Payable	60,765
Accrued Wages and Benefits Payable	2,466,029
Intergovernmental Payable	665,645
Deferred Revenue	9,856,711
Accrued Interest Payable	91,621
Long Term Liabilities:	
Due Within One Year	388,580
Due In More Than One Year	4,573,419
Total Liabilities	<u>18,102,770</u>
<b>Net Assets:</b>	
Invested in Capital Assets, Net of Related Debt	10,201,011
Restricted for:	
Debt Service	1,150,978
Capital Projects	20,994
Other Purposes	290,885
Unrestricted	5,450,192
Total Net Assets	<u><u>\$17,114,060</u></u>

See Accompanying Notes to the Basic Financial Statements

**Franklin City School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2008

	PROGRAM REVENUES		
	EXPENSES	CHARGES FOR SERVICES AND SALES	OPERATING GRANTS CONTRIBUTIONS AND INTEREST
Governmental Activities			
Instruction:			
Regular	\$12,967,897	\$462,150	\$209,098
Special	3,603,981	16,224	809,058
Vocational	565,499	11,109	105,769
Other	58,460	0	0
Support Services:			
Pupils	1,412,594	0	274,219
Instructional Staff	1,247,165	0	150,590
Board of Education	25,997	0	0
Administration	1,990,915	0	100,989
Fiscal	602,181	0	0
Business	146,849	0	0
Operation and Maintenance of Plant	2,631,598	44,152	0
Pupil Transportation	1,146,088	0	17,268
Central	353,265	0	24,000
Operation of Non-Instructional Services	1,285,864	564,773	928,486
Extracurricular Activities	757,926	227,164	51,485
Interest and Fiscal Charges	324,181	0	0
Total Governmental Activities	<u>\$29,120,460</u>	<u>\$1,325,572</u>	<u>\$2,670,962</u>

General Revenues:  
Property Taxes Levied for:  
  General Purposes  
  Debt Service  
Grants and Entitlements not Restricted to  
  Specific Programs  
Payment in Lieu of Taxes  
Investment Earnings  
Miscellaneous  
Total General Revenues

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See Accompanying Notes to the Basic Financial Statements

PROGRAM REVENUES	NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
CAPITAL GRANTS AND CONTRIBUTIONS	TOTAL GOVERNMENTAL ACTIVITIES
\$0	(\$12,296,649)
0	(2,778,699)
0	(448,621)
0	(58,460)
0	(1,138,375)
0	(1,096,575)
0	(25,997)
0	(1,889,926)
0	(602,181)
0	(146,849)
0	(2,587,446)
12,521	(1,116,299)
0	(329,265)
0	207,395
135,500	(343,777)
0	(324,181)
<u>\$148,021</u>	<u>(24,975,905)</u>

14,736,045  
480,292

13,281,038  
111,665  
329,611  
10,562

28,949,213

3,973,308

13,140,752

\$17,114,060

**Franklin City School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2008*

	<u>GENERAL</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$7,196,833	\$1,614,170	\$8,811,003
<b>Receivables:</b>			
Property Taxes	11,923,336	380,613	12,303,949
Accounts	84,075	3,112	87,187
Accrued Interest	6,621	0	6,621
Intergovernmental	96,613	153,762	250,375
Interfund	19,227	0	19,227
Inventory of Supplies and Materials	0	13,319	13,319
Prepaid Items	138	0	138
<b>Total Assets</b>	<u><u>\$19,326,843</u></u>	<u><u>\$2,164,976</u></u>	<u><u>\$21,491,819</u></u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts Payable	\$31,975	\$28,790	\$60,765
Accrued Wages and Benefits Payable	2,278,473	187,556	2,466,029
Intergovernmental Payable	616,502	49,143	665,645
Interfund Payable	0	19,227	19,227
Deferred Revenue	11,284,492	361,726	11,646,218
<b>Total Liabilities</b>	<u><u>14,211,442</u></u>	<u><u>646,442</u></u>	<u><u>14,857,884</u></u>
<b>Fund Balances</b>			
Reserved for Encumbrances	62,944	60,099	123,043
Reserved for Property Taxes	729,540	26,242	755,782
<b>Unreserved, Undesignated, Reported in:</b>			
General Fund	4,322,917	0	4,322,917
Special Revenue Funds	0	325,525	325,525
Debt Service Funds	0	1,085,674	1,085,674
Capital Projects Funds	0	20,994	20,994
<b>Total Fund Balances</b>	<u><u>5,115,401</u></u>	<u><u>1,518,534</u></u>	<u><u>6,633,935</u></u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$19,326,843</u></u>	<u><u>\$2,164,976</u></u>	<u><u>\$21,491,819</u></u>

See Accompanying Notes to the Basic Financial Statements

**Franklin City School District**  
*Reconciliation of the Total Governmental Fund Balances to  
 Net Assets of Governmental Activities*  
 June 30, 2008

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Total Governmental Fund Balances \$6,633,935

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

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

Land	409,574	
Land Improvements	1,060,161	
Building and Improvements	14,574,482	
Furniture/Equipment/Fixtures	3,397,569	
Vehicles	1,290,274	
Accumulated Depreciation	<u>(7,048,852)</u>	13,683,208
Total Capital Assets		

Unamortized Bond Costs 61,030

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

Property Taxes	1,691,456	
Tuition and Fees and Rentals	80,967	
Revenue in Lieu of Taxes	3,108	
Interest	6,621	
Intergovernmental Grants	<u>7,355</u>	1,789,507

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	(3,433,052)	
Unamortized Premium on Refunding Bonds	(186,211)	
Accounting Loss	125,178	
Accrued Interest on Loans	(91,621)	
Compensated Absences	<u>(1,467,914)</u>	<u>(5,053,620)</u>

Net Assets of Governmental Activities \$17,114,060

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, 2008*

	GENERAL	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>Revenues:</b>			
Property and Other Taxes	\$13,802,580	\$441,211	\$14,243,791
Payment in Lieu of Taxes	108,557	0	108,557
Tuition and Fees	507,242	0	507,242
Interest	327,411	4,270	331,681
Intergovernmental	13,266,112	2,650,441	15,916,553
Extracurricular Activities	0	206,837	206,837
Charges for Services	66	565,440	565,506
Gifts and Donations	0	193,245	193,245
Rent	34,342	0	34,342
Miscellaneous	10,502	19,660	30,162
<b>Total Revenues</b>	<b>28,056,812</b>	<b>4,081,104</b>	<b>32,137,916</b>
<b>Expenditures:</b>			
<b>Current:</b>			
<b>Instruction:</b>			
Regular	12,467,894	238,591	12,706,485
Special	3,039,845	731,617	3,771,462
Vocational	567,442	0	567,442
Other	58,460	0	58,460
<b>Support Services:</b>			
Pupils	1,144,641	271,848	1,416,489
Instructional Staff	1,109,020	154,364	1,263,384
Board of Education	25,790	0	25,790
Administration	1,875,459	113,047	1,988,506
Fiscal	602,290	6,898	609,188
Business	144,753	0	144,753
Operation and Maintenance of Plant	2,318,802	3,358	2,322,160
Pupil Transportation	1,222,668	17,238	1,239,906
Central	328,985	24,280	353,265
Operation of Non-Instructional Services	730	1,289,499	1,290,229
Extracurricular Activities	492,638	242,852	735,490
Capital Outlay	2,548,616	613,373	3,161,989
<b>Debt Service:</b>			
Principal Retirement	0	233,821	233,821
Interest and Fiscal Charges	0	232,613	232,613
Bond Issuance Costs	0	63,684	63,684
<b>Total Expenditures</b>	<b>27,948,033</b>	<b>4,237,083</b>	<b>32,185,116</b>
<b>Excess of Revenues Over (Under) Expenditure:</b>	<b>108,779</b>	<b>(155,979)</b>	<b>(47,200)</b>
<b>Other Financing Sources (Uses):</b>			
Refunding Bonds Issued	0	2,354,997	2,354,997
Refunding Bonds Issued	0	194,307	194,307
Proceeds from Sale of Capital Assets	60	0	60
Insurance Recoveries	9,276	0	9,276
Payment to Refunded Bond Escrow Agent	0	(2,485,620)	(2,485,620)
<b>Total Other Financing Sources (Uses)</b>	<b>9,336</b>	<b>63,684</b>	<b>73,020</b>
<b>Net Change in Fund Balances</b>	<b>118,115</b>	<b>(92,295)</b>	<b>25,820</b>
<b>Fund Balances at Beginning of Year</b>	<b>4,997,286</b>	<b>1,610,829</b>	<b>6,608,115</b>
<b>Fund Balances at End of Year</b>	<b>\$5,115,401</b>	<b>\$1,518,534</b>	<b>\$6,633,935</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, 2008*

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Net Change in Fund Balances - Total Governmental Funds \$25,820

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	3,157,971	
Depreciation Expense	(365,291)	
Excess of Capital Outlay under Depreciation Expense		2,792,680

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

General Obligation Bonds Principal Payments	233,821	
Payment to Refunded Bond Escrow Agent	2,485,620	
		2,719,441

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

Refunded General Obligation Bonds	(2,354,997)	
Accretion on General Obligation Capital Appreciation Bonds	(11,888)	
Premium on Refunding Bonds	(194,307)	
		(2,561,192)

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	972,546	
Tuition and Fees and Rentals	(17,291)	
Revenue in Lieu of Taxes	3,108	
Interest	403	
Intergovernmental Grants	(12,250)	
		946,516

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 Unamortized Bonds Costs	63,684	
Increase in Accrued Interest	(79,680)	
Decrease in Compensated Absences	66,039	
		50,043

Change in Net Assets of Governmental Activities		50,043
		\$3,973,308

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, 2008*

	BUDGETED AMOUNTS			VARIANCE WITH
	ORIGINAL	FINAL	ACTUAL	FINAL BUDGET POSITIVE (NEGATIVE)
<b>Revenues:</b>				
Property Taxes	\$13,020,000	\$13,621,040	\$13,621,040	\$0
Tuition and Fees	468,923	507,242	507,242	0
Interest	350,000	309,436	309,436	0
Intergovernmental	12,915,438	13,182,232	13,182,232	0
Charges for Services	0	66	66	0
Gifts and Donations	85,245	0	0	0
Rent	32,400	34,342	34,342	0
Miscellaneous	105,319	205,991	205,991	0
<b>Total Revenues</b>	<u>26,977,325</u>	<u>27,860,349</u>	<u>27,860,349</u>	<u>0</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	12,678,669	12,417,048	12,417,048	0
Special	2,859,838	3,012,295	3,012,295	0
Vocational	589,980	565,448	565,448	0
Other	0	58,072	58,072	0
<b>Support Services:</b>				
Pupils	1,015,590	1,069,350	1,069,350	0
Instructional Staff	1,163,703	1,127,289	1,127,289	0
Board of Education	21,431	25,850	25,850	0
Administration	1,902,534	1,932,688	1,932,688	0
Fiscal	599,162	607,757	607,757	0
Business	138,756	142,580	142,580	0
Operation and Maintenance of Plant	2,317,477	2,334,721	2,334,721	0
Pupil Transportation	1,093,982	1,208,334	1,208,334	0
Central	302,062	318,994	318,994	0
Operation of Non-Instructional Services	4,523	3,753	3,753	0
Extracurricular Activities	475,493	477,029	477,029	0
Capital Outlay	2,595,765	2,571,617	2,571,617	0
<b>Total Expenditures</b>	<u>27,758,965</u>	<u>27,872,825</u>	<u>27,872,825</u>	<u>0</u>
<b>Excess of Revenues Under Expenditures</b>	<u>(781,640)</u>	<u>(12,476)</u>	<u>(12,476)</u>	<u>0</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Capital Assets	0	60	60	0
Refund of Prior Year Expenditures	8,197	222	222	0
Insurance Recoveries	0	9,276	9,276	0
Advances In	150,000	3,635	3,635	0
Advances Out	(150,000)	(3,635)	(3,635)	0
<b>Total Other Financing Sources (Uses)</b>	<u>8,197</u>	<u>9,558</u>	<u>9,558</u>	<u>0</u>
<b>Net Change in Fund Balances</b>	<u>(773,443)</u>	<u>(2,918)</u>	<u>(2,918)</u>	<u>0</u>
Fund Balances at Beginning of Year	5,079,689	5,079,689	5,079,689	0
Prior Year Encumbrances Appropriated	2,026,346	2,026,346	2,026,346	0
<b>Fund Balances at End of Year</b>	<u>\$6,332,592</u>	<u>\$7,103,117</u>	<u>\$7,103,117</u>	<u>\$0</u>

See Accompanying Notes to the Basic Financial Statements



**Franklin City School District**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2008*

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	PRIVATE PURPOSE TRUST	
	SCHOLARSHIP	AGENCY
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$65,198	\$47,865
<b>Liabilities:</b>		
Accounts Payable	3,300	\$0
Due to Students	0	47,865
Total Liabilities	3,300	\$47,865
<b>Net Assets:</b>		
Held in Trust for Scholarships		
Expendable	\$2,257	
Non-expendable	62,941	
Total Net Assets	\$65,198	

See Accompanying Notes to the Basic Financial Statements

**Franklin City School District**  
*Statement of Changes in Fiduciary Net Assets*  
*Fiduciary Fund*  
*For the Fiscal Year Ended June 30, 2008*

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	PRIVATE PURPOSE TRUST
	SCHOLARSHIP
Additions:	
Gifts and Contributions	\$35,610
Miscellaneous	200
Total Additions	35,810
Deductions:	
Scholarships Awarded	75,913
Change in Net Assets	(40,103)
Net Assets Beginning of Year	102,001
Net Assets End of Year	\$61,898

See Accompanying Notes to the Basic Financial Statements

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

**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, staffed by 127 non-certified personnel and 204 full-time teaching personnel and administrative employees providing education to approximately 2,927 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, 2008*  
*(Continued)*

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

(continued)

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

The School District participates in four jointly governed organizations and one insurance purchasing pool. These organizations are the Southwestern Ohio Computer Association (SWOCA), the Warren County Career Center, the Southwestern Ohio Educational Purchasing Council (SOEPC), the Southwestern Ohio Instructional Technology Association (SOITA), and the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), respectively. These organizations are presented in Note 13 and 14 to the basic financial statements.

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

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

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

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

*Government-wide Financial Statements:*

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

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*  
(Continued)

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

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

*Fund Financial Statements:*

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

**B. Fund Accounting**

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

*Governmental Funds:*

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

*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.

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*  
(Continued)

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

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

*Fiduciary Fund Types:*

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

**C. Measurement Focus**

*Government-wide Financial Statements:*

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

*Fund Financial Statements:*

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

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*  
(Continued)

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

**D. Basis of Accounting**

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

*Revenues - Exchange and Non-exchange Transactions:*

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

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

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

*Deferred Revenue:*

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue.

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*  
*(Continued)*

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

Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

*Expenses/Expenditures:*

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

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

**E. Cash and Cash Equivalents**

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

During fiscal year 2008, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), Van Kampen Equity and Income Fund, Freddie Mac note 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, 2008.

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 2008 amounted to \$327,411, which includes \$117,043 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.



**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*  
(Continued)

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

**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, 2008, are recorded as prepaid items using the consumption method. A current asset is recorded at the time of purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

**H. Capital Assets and Depreciation**

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

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

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

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*  
(Continued)

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

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

Description	Estimated Lives
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, 2008*  
(Continued)

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

**K. Net Assets**

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

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

**L. Fund Balance Reserves**

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

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

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

**N. Interfund Transactions**

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

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*  
*(Continued)*

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

**O. Estimates**

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

**P. Budgetary Process**

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

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate that was issued during fiscal year 2008. Prior to fiscal year-end, the School District requested and received an amended certificate of estimated resources that reflected actual revenue for the fiscal year in the General Fund and which was in effect at the time the final appropriations were passed by the Board of Education.

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

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*  
*(Continued)*

**NOTE 3 - BUDGET TO GAAP RECONCILIATION**

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

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

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

	General
GAAP Basis	\$118,115
Revenue Accruals	(196,241)
Expenditure Accruals	165,759
Prepaid Items	4,368
Encumbrances	(94,919)
Budget Basis	(\$2,918)

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*  
(Continued)

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

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

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

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

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

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*  
*(Continued)*

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

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

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

***Deposits***

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

At fiscal year-end, the carrying amount of the School District's deposits was \$919,676 and the bank balance was \$2,059,524. \$495,000 of the School District's deposits was insured by federal depository insurance. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, \$1,564,524 of the School District's bank balance of \$2,059,524 exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

***Investments***

At June 30, 2008, the School District had the following investments.

<b>Investments</b>	<b>Average Maturity</b>	<b>Fair Value</b>
Repurchase Agreement	< than 1 year	\$53,010
Freddie Mac Note	4/15/22	40,000
Van Kampen Equity and Income Fund	< than 1 year	22,941
STAR Ohio	53.8 days	7,888,439
		<u>\$8,004,390</u>

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

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*  
*(Continued)*

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

*Credit Risk* – State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The School District’s investment policy does not further limit its investment choices. The School District’s investment in STAR Ohio is rated AAAM by Standard & Poor’s. The School District’s investment in the Freddie Mac Note is rated AAA by Standard & Poor’s. The School District’s investment in Van Kampen Equity and Income 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. More than 5 percent of the School District’s investments are in the following:

<b>Investments</b>	<b>Percent</b>
STAR Ohio	99%

**NOTE 5 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.



**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*  
(Continued)

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

Public utility property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007, and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. Tangible personal property is currently assessed at 6.25 percent of true value. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District 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, 2008, are available to finance fiscal year 2008 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, 2008, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue. The amount available as an advance is recognized as revenue. On an accrual basis, collectable property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

The amount available as an advance at June 30, 2008, was \$729,540 in the General Fund and \$26,242 in the Bond Retirement Debt Service Fund. The amount available as an advance at June 30, 2007, was \$548,000 in the General Fund and \$20,700 in the Bond Retirement Debt Service Fund.

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*  
(Continued)

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

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second- Half Collections		2008 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$380,887,210	86.08%	\$426,419,880	92.09%
Public Utility Personal	19,305,020	4.36%	17,665,430	3.82%
Tangible Personal Property	42,282,885	9.56%	18,944,635	4.09%
<b>Total</b>	<b>\$442,475,115</b>	<b>100.00%</b>	<b>\$463,029,945</b>	<b>100.00%</b>
Tax Rate per \$1,000 of Assessed Valuation	\$63.18		\$62.58	

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2008, 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:	
Bus reimbursement revenue	\$4,586
State foundation SF14 and SF-3 monies	92,027
Title I	111,425
IDEA-B grant	21,179
Title V grant	7,355
Title II-A	13,803
<b>Total Governmental Activities</b>	<b><u><u>\$250,375</u></u></b>

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*  
(Continued)

**NOTE 7 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance 6/30/2007	Additions	Deletions	Balance 6/30/2008
<b>Governmental Assets</b>				
<i>Capital Assets, not being depreciated</i>				
Land	\$409,574	\$0	\$0	\$409,574
Construction in Progress	12,853		(12,853)	0
Total Capital Assets, not being depreciated	<u>422,427</u>	<u>0</u>	<u>(12,853)</u>	<u>409,574</u>
<i>Capital Assets, being depreciated</i>				
Land Improvements	1,052,181	7,980	0	1,060,161
Building and Improvements	11,644,882	2,929,600	0	14,574,482
Furniture/Equipment/Fixtures	3,303,890	93,679		3,397,569
Vehicles	1,150,709	139,565	0	1,290,274
Total Capital Assets, being depreciated	<u>17,151,662</u>	<u>3,170,824</u>	<u>0</u>	<u>20,322,486</u>
Less: Accumulated Depreciation				
Land Improvements	(383,184)	(26,487)	0	(409,671)
Building and Improvements	(3,800,201)	(139,149)	0	(3,939,350)
Furniture/Equipment/Fixtures	(1,733,321)	(121,321)		(1,854,642)
Vehicles	(766,855)	(78,334)	0	(845,189)
Total Accumulated Depreciation	<u>(6,683,561)</u>	<u>(365,291)</u>	<u>0</u>	<u>(7,048,852)</u>
Total Capital Assets, being depreciated, net	<u>10,468,101</u>	<u>2,805,533</u>	<u>0</u>	<u>13,273,634</u>
Governmental Activities Capital Assets, net	<u>\$10,890,528</u>	<u>\$2,805,533</u>	<u>(\$12,853)</u>	<u>\$13,683,208</u>

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*  
(Continued)

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

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

Instruction:	
Regular	\$148,982
Special	5,476
Vocational	2,422
Support Services:	
Pupils	4,139
Instructional Staff	7,197
Board of Education	207
Administration	8,049
Fiscal	1,259
Operation and Maintenance of Plant	102,205
Transportation	51,694
Operation of Non-Instructional Services	13,700
Extracurricular Activities	19,961
Total	\$365,291

**NOTE 8 - RISK MANAGEMENT**

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 2008, the School District contracted with Indiana Insurance through Ralph E. Wage Insurance Agency, Inc. for its insurance. Building/contents and boiler and machinery insurance have a \$59,525,195 limit. There is a \$1,000 deductible with this coverage.

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

The School District carries performance bonds in the amount of \$20,000 for both the superintendent and board president. These bonds are held by the Traveler's Casualty and Surety Company of America. The Cincinnati Insurance Company maintains a \$20,000 public official bond for the Treasurer. Indiana National Insurance Group holds a \$25,000 blanket bond for all other employees with a \$1,000 deductible.

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.

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*  
*(Continued)*

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

**Workers' Compensation**

For fiscal year 2008, the School District participated in the Southwestern Ohio Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 14). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as on experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Hunter Consulting provides administrative, cost control and actuarial services to the GRP.

**NOTE 9 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on the SERS website, [www.ohsers.org](http://www.ohsers.org), under Forms and Publications.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$299,707, \$380,581, and \$301,481 respectively; 35.79 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*  
(Continued)

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

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

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

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

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

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*  
(Continued)

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

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$1,575,778, \$1,516,444, and \$1,417,823 respectively; 83.11 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$668 made by the School District and \$13,360 made by the plan members.

**NOTE 10 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$66,222.

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

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$202,988, \$181,858, and \$157,100 respectively; 24.11 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*  
(Continued)

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

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$21,595, \$23,519, and \$18,807 respectively; 35.79 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

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

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio.

Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$121,214, \$116,650, and \$109,063, respectively; 83.11 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**NOTE 11 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn five to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and administrators do not earn vacation time, with the exception of the Superintendent, Asst. 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 221 days for classified staff and 225 for certified staff. Upon retirement, employees are paid 25% of their unused sick leave up to a maximum of 55 days for classified staff and 57 days for certified staff.



**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*  
(Continued)

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

**B. Insurance Benefits**

The School District provides life insurance and accidental death and dismemberment insurance to most employees through The Great American Reserve Insurance Company.

The District provides comprehensive medical/surgical (including major medical) coverage through private carriers to most employees. Employees have the option of enrolling in a traditional medical plan with Anthem Community Mutual Insurance Company, a health maintenance plan with the United Health Care Corporation or in Anthem Community Choice, an in network/out of network provider plan. The 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.

**NOTE 12 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2008 were as follows:

	Outstanding 6/30/2007	Additions	Deletions	Outstanding 6/30/2008	Due in One Year
Governmental Activities					
School Improvement Refunding					
1997 3.75 to 5.2%	\$969,988	\$0	(\$148,821)	\$821,167	\$138,216
Library Bond					
2001 3.45 to 5.9%	2,685,000	0	(2,415,000)	270,000	65,000
Library Improvement Refunding Bonds 2007					
Serial Bonds 4.0 to 4.2%	0	980,000	(25,000)	955,000	30,000
Term Bonds 4.35%	0	1,295,000	0	1,295,000	0
Capital Appreciation Bonds 4.35%	0	91,885	0	91,885	0
Premium on Refunding Bonds	0	194,307	(8,096)	186,211	0
Accounting Loss	0	(130,620)	5,442	(125,178)	0
<b>Total General Obligation Bonds</b>	<b>3,654,988</b>	<b>2,430,572</b>	<b>(2,591,475)</b>	<b>3,494,085</b>	<b>233,216</b>
Compensated Absences	1,533,953	90,704	(156,743)	1,467,914	155,364
<b>Total Governmental Activities</b>					
Long-Term Liabilities	<u>\$5,188,941</u>	<u>\$2,521,276</u>	<u>(\$2,748,218)</u>	<u>\$4,961,999</u>	<u>\$388,580</u>

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

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*  
*(Continued)*

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

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

On July 17, 2007, the School District issued Library Improvement Refunding bonds with an average interest rate of 4.437% to advance refund \$2,355,000 of the library bonds with an average interest rate of 5.3185%. Of the net proceeds of \$2,485,620 (after payment of \$63,684 in underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments for the refunded portion of the 2000 library bonds. As a result, \$2,355,000 of the library bonds are considered to be defeased and the liability for this portion of the bonds is no longer shown outstanding in the above table.

The advance refunding resulted in a difference between reacquisition price and the net carrying amount of the old debt of \$130,620. The School District completed the advance refunding to reduce its total debt service payments over the next twenty-four years \$128,810 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$1,326,031.

Of the 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 \$11,888 in fiscal year 2008.

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.

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*  
(Continued)

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

The school improvement refunding bonds and library bonds will be paid from the Bond Retirement Debt Service Fund. Compensated absences will be paid from the General Fund, Lunchroom Fund, IDEA-B Fund, Poverty Based Assistance Fund, Title I-TA & I-SW Fund, and the Title II-A Fund.

The School District's voted legal debt margin was \$39,337,205 with an unvoted debt margin of \$463,030 at June 30, 2008.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2008, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2009	\$233,216	\$246,762	\$479,978
2010	226,160	249,807	475,967
2011	223,570	253,210	476,780
2012	218,266	259,164	477,430
2013	220,147	257,891	478,038
2014-2018	794,808	730,637	1,525,445
2019-2023	680,000	284,393	964,393
2024-2028	760,000	201,623	961,623
2029-2031	535,000	35,561	570,561
Total	\$3,891,167	\$2,519,048	\$6,410,215

**NOTE 13 - 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 \$74,276 for services provided during the fiscal year. Financial information can be obtained from K. Michael Crumley, Executive Director of SWOCA at 3607 Hamilton-Middletown Road, Hamilton, Ohio 45011.

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*  
(Continued)

**NOTE 13 - 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 2008, the School District paid \$3,487 to the Warren County Career Center. Financial information can be obtained from Karen R. Royer, Treasurer, at 3525 N. St. Rt. 48, Lebanon, OH 45036.

Southwestern Ohio Educational Purchasing Council

The School District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of 126 school districts in 18 counties. The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges or other assessments as established by the SOEPC. Each member district has one voting representative. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2008, the School District paid \$142,255 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.

Southwestern Ohio Instructional Technology Association

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

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*  
(Continued)

**NOTE 13 - JOINTLY GOVERNED ORGANIZATIONS** (continued)

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

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2008, the School District paid \$8,403 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Larry Pogue, who serves as Executive Director, at 150 East Sixth Street, Franklin, Ohio 45005.

**NOTE 14 - 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.

**NOTE 15 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

**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.

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*  
(Continued)

**NOTE 16 - ACCOUNTABILITY**

At June 30, 2008, the Athletic Large Equipment/Facility capital projects fund, the Entry Year Programs, Poverty Based Assistance, Title VI-B, Title II-A special revenue funds had deficit fund balances of \$1,252, \$29, \$7,655, \$19,960, and \$4,048, respectively, which were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**NOTE 17 – SET-ASIDE CALCULATIONS AND FUND RESERVES**

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

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

	Textbooks and Instructional Material	Capital Acquisitions
Set-aside Reserve Balance as of June 30, 2007	(\$119,380)	\$0
Current Year Set-aside Requirement	426,159	426,159
Qualifying Disbursements	(637,647)	(3,968,382)
Totals	<u>(\$330,868)</u>	<u>(\$3,542,223)</u>
Set-aside Balances Carried Forward to Future Fiscal Years	<u>(\$330,868)</u>	<u>\$0</u>
Set-aside Reserve Balances as of June 30, 2008	<u>\$0</u>	<u>\$0</u>

**Franklin City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*  
*(Continued)*

**NOTE 18 – DONOR RESTRICTED ENDOWMENTS**

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

**NOTE 19 – CHANGES IN ACCOUNTING PRINCIPLE**

For fiscal year 2008, the School District implemented GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues". This statement establishes criteria that governments will use to ascertain whether certain transactions should be regarded as a sale or a collateralized borrowing. This statement had no effect on fund balances or net assets.

In addition, the School District implemented GASB Statement No. 50, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosure for Defined Contribution Plans." This statement more closely aligns current pension requirements for governments with those that governments are beginning to implement for retiree health insurance and other post-employment benefits. The new disclosures required by this statement are included in the notes to the financial statements (See Note 9).

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**FRANKLIN CITY SCHOOL DISTRICT**  
**WARREN COUNTY**  
**FEDERAL AWARDS RECEIPTS AND EXPENDITURE SCHEDULE**  
**FOR FISCAL YEAR ENDED JUNE 30, 2008**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Food Distribution Program		10.550	\$ -	\$ 175,000	\$ -	\$ 175,000
Nutrition Cluster:						
National School Breakfast Program	05PU-2008	10.553	156,360	-	156,360	-
National School Lunch Program	LLP4-2008	10.555	359,749	-	359,749	-
Total Nutrition Cluster			<u>516,109</u>	<u>-</u>	<u>516,109</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>516,109</u>	<u>175,000</u>	<u>516,109</u>	<u>175,000</u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Grants to Local Educational Agencies (ESEA Title I)	C1S1-2008 C1S1-2007	84.010	446,556	-	446,556	-
Total Grants to Local Educational Agencies (ESEA Title I)			<u>446,556</u>	<u>-</u>	<u>463,408</u>	<u>-</u>
Special Education Cluster:						
Special Education: Grants to States (IDEA Part B)	6BSF-2008 6BSF-2007	84.027	714,159	-	713,168	-
Total Special Education: Grants to States (IDEA Part B)			<u>(14,751)</u>	<u>-</u>	<u>3,694</u>	<u>-</u>
			<u>699,408</u>	<u>-</u>	<u>716,862</u>	<u>-</u>
Special Education: Preschool Grant	PGS1-2008 PGS1-2007	84.173	10,657	-	8,351	-
Total Special Education: Preschool Grant			<u>(2,822)</u>	<u>-</u>	<u>1,098</u>	<u>-</u>
			<u>7,835</u>	<u>-</u>	<u>9,449</u>	<u>-</u>
Total Special Education Cluster			<u>707,243</u>	<u>-</u>	<u>726,311</u>	<u>-</u>
Safe and Drug Free Schools and Communities	DRS1-2008 DRS1-2007	84.186	12,628	-	11,334	-
Total Safe and Drug Free Schools and Communities			<u>(1,373)</u>	<u>-</u>	<u>-</u>	<u>-</u>
			<u>11,255</u>	<u>-</u>	<u>11,334</u>	<u>-</u>
Innovative Education Program Strategy	C2S1-2008 C2S1-2007	84.298	4,684	-	3,848	-
Total Innovative Education Program Strategy			<u>(4,198)</u>	<u>-</u>	<u>2,188</u>	<u>-</u>
			<u>486</u>	<u>-</u>	<u>6,036</u>	<u>-</u>
Title II-D: Technology Literacy Challenge Fund	TJS1-2008	84.318	5,646	-	4,239	-
Title II-A: Improving Teacher Quality	TRS1-2008 TRS1-2007	84.367	163,233	-	155,046	-
Total Title II-A: Improving Teacher Quality			<u>-</u>	<u>-</u>	<u>22,356</u>	<u>-</u>
			<u>163,233</u>	<u>-</u>	<u>177,402</u>	<u>-</u>
Total U.S. Department of Education			<u>1,334,419</u>	<u>-</u>	<u>1,388,730</u>	<u>-</u>
<b>Total</b>			<b><u>\$ 1,850,528</u></b>	<b><u>\$ 175,000</u></b>	<b><u>\$ 1,904,839</u></b>	<b><u>\$ 175,000</u></b>

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

**FRANKLIN CITY SCHOOL DISTRICT  
WARREN COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditure Schedule (the Schedule) summarizes activity of the School District's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B -- FOOD DONATION PROGRAM**

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.

**NOTE C - CHILD NUTRITION CLUSTER**

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

**NOTE D - MATCHING REQUIREMENTS**

Certain Federal programs require that the School District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The School District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

**NOTE E – TRANSFER OF SPECIAL EDUCATION: GRANTS TO STATES, CFDA# 84.027**

During the audit period, the School District had \$14,751 of fiscal year 2007 (6BSF-2007) monies transferred to fiscal year 2008 (6BSF-2008). The accompanying schedule has been modified to reflect this transfer.

**NOTE F – TRANSFER OF SPECIAL EDUCATION: PRESCHOOL GRANT, CFDA# 84.173**

During the audit period, the School District had \$2,822 of fiscal year 2007 (PGS1-2007) monies transferred to fiscal year 2008 (PGS1-2008). The accompanying schedule has been modified to reflect this transfer.

**NOTE G – TRANSFER OF SAFE AND DRUG FREE SCHOOLS AND COMMUNITIES, CFDA# 84.186**

During the audit period, the School District had \$1,373 of fiscal year 2007 (DRS1-2007) monies transferred to fiscal year 2008 (DRS1-2008). The accompanying schedule has been modified to reflect this transfer.

**NOTE H – TRANSFER OF INNOVATIVE EDUCATION PROGRAM STRATEGY, CFDA# 84.298**

During the audit period, the School District had \$4,198 of fiscal year 2007 (C2SI-2007) monies transferred to fiscal year 2008 (C2SI-2007). The accompanying schedule has been modified to reflect this transfer.



# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Franklin City School District, Warren County, (the School District), as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 15, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

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

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

We noted certain matters that we reported to the School District's management in a separate letter dated January 15, 2009.

Corporate Centre of Blue Ash / 11117 Kenwood Rd. / Blue Ash, OH 45242  
Telephone: (513) 361-8550 (800) 368-7419 Fax: (513) 361-8577  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

### **Compliance and Other Matters**

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

We did note certain noncompliance or other matters that we reported to the School District's management in a separate letter dated January 15, 2009.

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

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

**Mary Taylor, CPA**  
Auditor of State

January 15, 2009



# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

### Compliance

We have audited the compliance of Franklin City School District, Warren County, Ohio (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, Franklin City School District, Warren County, Ohio complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2008.

### Internal Control Over Compliance

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

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

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

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

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



**Mary Taylor, CPA**  
Auditor of State

January 15, 2009

**FRANKLIN CITY SCHOOL DISTRICT  
WARREN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2008**

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

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Food Distribution Program: CFDA #10.550 Special Education Cluster: CFDA #84.027 & 84.173
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	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.







**Mary Taylor, CPA**  
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  
APRIL 14, 2009**