



**FRANKLIN LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2001**



**JIM PETRO**  
**AUDITOR OF STATE**  

---

**STATE OF OHIO**



**FRANKLIN LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Report of Independent Accountants .....	1
Management's Discussion and Analysis .....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets .....	11
Statement of Activities .....	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds .....	13
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds .....	15
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis) - General Fund .....	17
Statement of Net Assets - Internal Service Fund .....	18
Statement of Revenues, Expenses and Changes in Fund Net Assets - Internal Service Fund .....	19
Statement of Cash Flows - Internal Service Fund .....	20
Statement of Fiduciary Net Assets - Fiduciary Funds .....	21
Statement of Changes in Fiduciary Net Assets - Private Purpose Trust Fund .....	22
Notes to the Basic Financial Statements .....	23
Schedule of Federal Awards Receipts and Expenditures .....	48
Notes to Schedule of Federal Awards Receipts and Expenditures .....	50
Report of Independent Accountants on Compliance and on Internal Control Required By <i>Government Auditing Standards</i> .....	51
Report of Independent Accountants on Compliance with Requirements Applicable to the Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133. ....	53
Schedule of Findings - <i>OMB Circular A-133 § .505</i> .....	55

**This page intentionally left blank.**



STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

743 East State Street  
Athens Mall, Suite B  
Athens, Ohio 45701  
Telephone 740-594-3300  
800-441-1389  
Facsimile 740-594-2110  
www.auditor.state.oh.us

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, major funds and remaining fund information of Franklin Local School District, Muskingum County (the District), as of and for the year ended June 30, 2001, which collectively comprise the District's basic financial statements. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, major funds and remaining fund information of Franklin Local School District, Muskingum County, as of June 30, 2001, and the changes in financial position of those activities and funds, and the cash flows of its proprietary funds 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.

As described in Note 3, during the year ended June 30, 2001, the District adopted Governmental Accounting Standards Board Statement Nos. 33, 34, 36, and 37, and Interpretation No. 6.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

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

**Jim Petro**  
Auditor of State

March 7, 2002

**Franklin Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2001*  
*Unaudited*

---

The discussion and analysis of the Franklin Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2001. 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 the fiscal year 2001 are as follows:

- Net assets of governmental activities increased \$131,553.
- General revenues accounted for \$13,156,656 in revenue or 83% of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$2,728,885 or 17% of total revenues of \$15,885,541.
- Total assets of governmental activities increased \$1,248,380 as cash, taxes receivable, and prepaid items have slightly increased.
- The School District had \$15,753,988 in expenses related to governmental activities; only \$2,728,885 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues of \$13,156,656 were adequate to provide for these programs.
- The School District only has two major funds; the general fund and the debt service fund. The general fund had \$12,966,877 in revenues and \$12,319,080 in expenditures. The general fund's balance increased \$477,353. The debt service fund had \$534,205 in revenues and \$471,860 in expenditures. The debt service fund balance increased by \$62,345.
- Capital outlay of \$1,315,516 in Other Governmental funds consisted of an energy conservation project and the purchase of property for a new high school. Capital outlay expenditures were financed by the sale of energy conservation notes in the amount of \$866,000 and transfers from the general fund of \$291,203.00.

### **Using this Annual Financial Report**

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

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

**Franklin Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2001*  
*Unaudited*

---

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

*Statement of Net Assets and Statement of Activities*

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2001?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the School District's activities are considered to be all Governmental Activities.

- Governmental Activities – All of the School District's programs and services are reported here including instruction, support services, operation of non instructional services, bond service operations, and extracurricular activities.

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

*Fund Financial Statements*

The analysis of the School District's major funds begins on page 16. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the debt service fund.

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

**Franklin Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2001*  
*Unaudited*

**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2001 compared to 2000.

Table 1  
Net Assets

	Governmental Activities	
	2001	2000
<b>Assets</b>		
Current and Other Assets	\$10,787,175	\$9,885,552
Capital Assets	17,594,314	17,247,557
Total Assets	28,381,489	27,133,109
<b>Liabilities</b>		
Long-Term Liabilities	6,981,603	6,031,851
Other Liabilities	4,467,422	4,300,347
Total Liabilities	11,449,025	10,332,198
<b>Net Assets</b>		
Invested in Capital Assets, Net of Debt	11,935,004	12,338,281
Restricted	2,130,463	2,060,594
Unrestricted	2,866,997	2,402,036
Total Net Assets	\$16,932,464	\$16,800,911

Total assets increased \$1,248,380. Equity in pooled cash and cash equivalents increased \$429,767. Capital assets increased by \$346,757. Taxes receivable increased \$600,814; the total is partially offset by an increase in deferred revenue. The additional increase in taxes receivable resulted from increased tax monies being available from the County Auditor at June 30, 2001.

Total liabilities increased \$1,116,827. The majority of the increase was due to the recognition of an Energy Conservation Note issued in fiscal year 2001 for \$866,000. The outstanding note balance as of June 30, 2001, was \$820,000. The remaining increase was due to a recognition of deferred revenue in relation to taxes receivable as mentioned earlier.

**Franklin Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2001*  
*Unaudited*

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2001. Since this is the first year Franklin Local has prepared financial statements following GASB Statement 34, revenue and expense comparisons to fiscal year 2000 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

Table 2  
Changes in Net Assets

		Governmental Activities
		2001
<b>Revenues</b>		
Program Revenues		
Charges for Services		\$615,319
Operating Grants, Contributions and Interest		1,887,989
Capital Grants and Contributions		225,577
General Revenue		
Property Taxes		3,743,974
Grants and Entitlements		8,905,790
Gain on Sale of Capital Assets		11,485
Investment Earnings		367,872
Miscellaneous		127,535
Total Revenues		15,885,541
<b>Program Expenses</b>		
Instruction		
Regular		6,796,375
Special		1,486,660
Vocational		199,196
Other		14,886
Support Services		
Pupil		326,411
Instructional Staff		1,038,182
Board of Education		502,251
Administration		1,046,417
Fiscal		280,841
Operation and Maintenance of Plant		1,410,047
Pupil Transportation		1,046,798
Central		48,851
Operation of Non-Instructional Services:		
Food Service Operations		902,609
Other		1,837
Extracurricular Activities		325,933
Interest and fiscal charges		326,694
Total Expenses		15,753,988
Increase in Net Assets		\$131,553

**Franklin Local School District, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2001*

*Unaudited*

---

Over the past several years the School District has remained in a stable financial position and has increased its cash balance carry-over 10 out of the last 11 years. Approximately 95% of the School District is in Muskingum County and the remaining 5% is in Perry County. Muskingum County went through a property reappraisal in calendar year 2000. This reappraisal increased the School District's property valuation 29 million dollars.

During fiscal year 2001, the School District implemented all-day, every-day kindergarten. This required adding 3 new teachers as well as additional classrooms and equipment. All available space has been used. The School District is currently planning to have a building needs assessment completed by the Ohio School Facilities Commission.

The DeRolph III decision has not eliminated the dependence on property taxes. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. Inflation alone will not increase the amount of funds generated by a tax levy. Basically, the mills collected decreases as the property valuation increases thus generating about the same revenue. Property taxes made up approximately 24% of revenues for governmental activities for the Franklin Local School District in fiscal year 2001.

Instruction comprises approximately 54% of governmental program expenses.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements. Comparisons to 2000 have not been made since they are not available.

**Franklin Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2001*  
*Unaudited*

Table 3  
 Governmental Activities

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	<u>2001</u>	<u>2001</u>
Program Expenses		
Instruction:		
Regular	\$6,796,375	\$6,225,370
Special	1,486,660	619,578
Vocational	199,196	167,962
Other	14,886	14,886
Support Services:		
Pupil	326,411	294,340
Instructional Staff	1,038,182	908,636
Board of Education	502,251	492,169
Administration	1,046,417	1,036,877
Fiscal	280,841	280,841
Operation and Maintenance of Plant	1,410,047	1,383,529
Pupil Transportation	1,046,798	936,982
Central	48,851	48,851
Operation of Non-Instructional Services:		
Food Service Operations	902,609	89,978
Other	1,837	(285)
Extracurricular Activities	325,933	198,695
Interest and Fiscal Charges	326,694	326,694
Total	<u>\$15,753,988</u>	<u>\$13,025,103</u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent. 83% of instruction activities are supported through taxes and other general revenues.

**The School District Funds**

The School District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$15,793,684 and expenditures of \$16,198,827. As previously discussed, the School District remains financially stable.

**Franklin Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2001*  
*Unaudited*

***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 2001, the School District amended its general fund budget, but not significantly. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, budget basis revenue was \$12,175,149, above original estimates of \$12,166,206. Of this \$8,943 difference, most was due to conservative tax estimates, based on the County Auditor's Certification, Parity Aid, and a property valuation increase of 29 million dollars. Some of this conservative estimate was offset as the original appropriations of \$15,572,648 were increased to \$15,579,360.

The School District's ending unobligated general fund balance was \$3,702,354.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2001, the School District had \$17,594,314 invested in land, buildings, furniture and equipment, vehicles, and construction in progress. Table 4 shows fiscal year 2001 balances compared to 2000.

Table 4  
 Capital Assets at June 30, 2001  
 (Net Of Depreciation)

	Governmental Activities	
	2001	2000
Land and Land Improvements	\$1,294,573	\$972,155
Buildings and Improvements	14,378,604	14,901,638
Furniture and Equipment	694,922	797,894
Vehicles	399,935	437,484
Construction in Progress	826,280	138,386
Totals	\$17,594,314	\$17,247,557

During fiscal year 2001, the School District purchased land, various equipment, furniture, vehicles and energy conservation building improvements which is represented as construction in progress.

**Franklin Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2001*  
*Unaudited*

***Debt***

At June 30, 2001, the School District had \$5,699,030 in bonds, notes, and capital leases outstanding. Due to prudent spending and continuous monitoring of all revenues and expenditures, our bond rating is AA-.

Table 5  
 Outstanding Debt, at Fiscal Year End

	Governmental Activities 2001	Governmental Activities 2000
1996 School Construction General Obligation Bonds	\$4,790,000	\$4,890,000
2001 Energy Conservation Notes	820,000	0
Tax Refund	0	60,994
Capital Leases	89,030	19,276
Totals	\$5,699,030	\$4,970,270

**Economic Factors**

Franklin Local School District is financially stable. As the preceding information shows, the School District depends on its property taxpayers. Based on the current financial situation, and the ability to maintain current program and staffing levels, the School District will be able to maintain financial stability.

Based on these factors, the Board of Education and administration of the School District must maintain careful financial planning and prudent fiscal management in order to preserve the financial stability of the School District as well as careful planning to ensure that significant outlays may be made in the future to address our facility needs.

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

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Richard L. White, Treasurer/CFO at Franklin Local School District, P.O. Box 428, Duncan Falls, Ohio 43734. Or E-Mail at [FR\\_RICK@OMERESA.NET](mailto:FR_RICK@OMERESA.NET).

# Franklin Local School District, Ohio

## Statement of Net Assets

June 30, 2001

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$5,981,017
Cash and Cash Equivalents in Segregated Accounts	36,554
Accrued Interest Receivable	40,436
Materials and Supplies Inventory	31,490
Intergovernmental Receivable	160,971
Prepaid Items	107,953
Accounts Receivable	8,990
Property Taxes Receivable	4,419,764
Nondepreciable Capital Assets	2,120,853
Depreciable Capital Assets, Net	<u>15,473,461</u>
<i>Total Assets</i>	<u>28,381,489</u>
<b>Liabilities</b>	
Contracts Payable	19,000
Accounts Payable	161,900
Accrued Wages and Benefits Payable	1,549,861
Accrued Interest Payable	25,832
Matured Sick Leave Benefit Payable	36,598
Vacation Benefits Payable	41,263
Deferred Revenue	2,055,990
Intergovernmental Payable	423,678
Claims Payable	153,300
Long-Term Liabilities:	
Due Within One Year	231,539
Due In More Than One Year	<u>6,750,064</u>
<i>Total Liabilities</i>	<u>11,449,025</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	11,935,004
Restricted for:	
Capital Projects	294,967
Debt Service	761,765
Budget Stabilization	65,186
Bus Purchase	110,181
Other Purposes	898,364
Unrestricted	<u>2,866,997</u>
<i>Total Net Assets</i>	<u><u>\$16,932,464</u></u>

See accompanying notes to the basic financial statements



**Franklin Local School District, Ohio**

*Balance Sheet  
Governmental Funds  
June 30, 2001*

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$3,925,942	\$514,883	\$874,596	\$5,315,421
Cash and Cash Equivalents in Segregated Accounts	0	0	1,663	1,663
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	175,367	0	0	175,367
Receivables:				
Property Taxes	3,618,991	532,338	268,435	4,419,764
Accounts	8,966	0	24	8,990
Intergovernmental	35,910	1,592	123,469	160,971
Accrued Interest	38,594	0	1,842	40,436
Prepaid Items	94,461	0	13,492	107,953
Materials and Supplies Inventory	10,515	0	8,095	18,610
<i>Total Assets</i>	<u>\$7,908,746</u>	<u>\$1,048,813</u>	<u>\$1,291,616</u>	<u>\$10,249,175</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$112,679	\$0	\$49,221	\$161,900
Contracts Payable	0	0	19,000	19,000
Accrued Wages and Benefits Payable	1,405,486	0	144,375	1,549,861
Sick Leave Benefit Payable	34,335	0	2,263	36,598
Intergovernmental Payable	245,506	0	20,611	266,117
Deferred Revenue	2,481,361	366,638	197,054	3,045,053
<i>Total Liabilities</i>	<u>4,279,367</u>	<u>366,638</u>	<u>432,524</u>	<u>5,078,529</u>
<b>Fund Balances</b>				
Reserved for Encumbrances	182,161	0	142,767	324,928
Reserved for Inventory	10,515	0	8,095	18,610
Reserved for Property Taxes	1,147,925	165,362	82,985	1,396,272
Reserved for Budget Stabilization	65,186	0	0	65,186
Reserved for Bus Purchase	110,181	0	0	110,181
Designated	168,606	0	0	168,606
Unreserved, Undesignated, Reported in:				
General Fund	1,944,805	0	0	1,944,805
Special Revenue Funds	0	0	478,911	478,911
Debt Service Fund	0	516,813	0	516,813
Capital Projects Funds	0	0	146,334	146,334
<i>Total Fund Balances</i>	<u>3,629,379</u>	<u>682,175</u>	<u>859,092</u>	<u>5,170,646</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$7,908,746</u>	<u>\$1,048,813</u>	<u>\$1,291,616</u>	<u>\$10,249,175</u>

See accompanying notes to the basic financial statements

**Franklin Local School District, Ohio**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2001*

<b>Total Governmental Fund Balances</b>		\$5,170,646
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		17,594,314
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	962,898	
Grants	21,094	
Student Fees	5,071	989,063
Donated Commodities inventory is recognized on the statement of net assets as an asset.		12,880
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		276,835
The internal service fund had received payments in the current fiscal year that are intended for the following fiscal year. This revenue was shown as deferred revenue on the proprietary statement of fund net assets.		94,985
Intergovernmental Payable includes contractually required pension contributions which are not expected to be paid with expendable available financial resources and therefore are not reported in the funds.		(157,561)
Accrued Interest Payable is recognized for outstanding long-term liabilities with interest accruals that are not expected to be paid with expendable available financial resources and therefore are not reported in the funds.		(25,832)
Vacation Benefits Payable is recognized for earned vacation benefits that are not expected to be paid with expendable available financial resources and therefore are not reported in the funds.		(41,263)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Energy Conservation Notes Payable	(820,000)	
School Improvement Bonds Payable	(4,790,000)	
Capital Leases Payable	(89,030)	
Sick Leave Benefit Payable	(1,282,573)	(6,981,603)
Net Assets of Governmental Activities		\$16,932,464

**Franklin Local School District, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2001*

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$2,943,619	\$484,232	\$218,857	\$3,646,708
Intergovernmental	9,431,029	49,973	1,481,454	10,962,456
Interest	406,088	0	15,288	421,376
Charges for Services	0	0	402,452	402,452
Tuition and Fees	36,310	0	34,770	71,080
Extracurricular Activities	0	0	119,766	119,766
Contributions and Donations	0	0	20,015	20,015
Miscellaneous	149,831	0	0	149,831
<i>Total Revenues</i>	<u>12,966,877</u>	<u>534,205</u>	<u>2,292,602</u>	<u>15,793,684</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	5,849,737	0	356,811	6,206,548
Special	773,878	0	571,210	1,345,088
Vocational	200,054	0	0	200,054
Other	14,886	0	0	14,886
Support Services:				
Pupil	296,915	0	28,613	325,528
Instructional Staff	780,868	0	103,990	884,858
Board of Education	579,718	0	7,614	587,332
Administration	988,666	0	7,857	996,523
Fiscal	262,158	8,767	4,642	275,567
Operation and Maintenance of Plant	1,202,799	0	77,459	1,280,258
Pupil Transportation	1,036,920	0	1,037	1,037,957
Central	47,051	0	0	47,051
Operation of Non-Instructional Services	0	0	795,813	795,813
Extracurricular Activities	189,276	0	134,148	323,424
Capital Outlay	0	0	1,315,516	1,315,516
Debt Service:				
Principal Retirement	89,906	146,000	3,177	239,083
Interest and Fiscal Charges	6,248	317,093	0	323,341
<i>Total Expenditures</i>	<u>12,319,080</u>	<u>471,860</u>	<u>3,407,887</u>	<u>16,198,827</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>647,797</u>	<u>62,345</u>	<u>(1,115,285)</u>	<u>(405,143)</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Fixed Assets	19,697	0	0	19,697
Notes Issued	0	0	866,000	866,000
Inception of a Capital Lease	101,843	0	0	101,843
Transfers In	0	0	291,203	291,203
Transfers Out	(291,203)	0	0	(291,203)
<i>Total Other Financing Sources (Uses)</i>	<u>(169,663)</u>	<u>0</u>	<u>1,157,203</u>	<u>987,540</u>
<i>Net Change in Fund Balance</i>	478,134	62,345	41,918	582,397
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>				
	3,152,026	619,830	817,139	4,588,995
Increase (Decrease) in Reserve for Inventory	(781)	0	35	(746)
<i>Fund Balances End of Year</i>	<u>\$3,629,379</u>	<u>\$682,175</u>	<u>\$859,092</u>	<u>\$5,170,646</u>

See accompanying notes to the basic financial statements

**Franklin Local School District, Ohio**

*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2001*

---



---

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$582,397
---	-----------

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

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

Fixed Asset Additions	1,278,439	
Depreciation Expense	<u>(923,470)</u>	354,969

Proceeds from sale of fixed assets are reported as revenue (other financing source) in the governmental funds. However, the book value of the fixed assets sold is removed from the capital assets account in the statement of net assets and offset against the sale proceeds resulting in a "gain on sale of capital asset" in the statement of activities.

(8,212)

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

Interest	(40,889)	
Student Fees	(275)	
Grants	(28,198)	
Delinquent Taxes	97,266	
Donated Commodities	<u>51,753</u>	79,657

The internal service fund had received payments in the current fiscal year that were intended for the following fiscal year. This revenue was shown as deferred revenue on the proprietary statement of fund net assets.

12,923

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

146,000

In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expended when due.

(3,353)

Energy Conservation Note proceeds is an other financing source in the governmental funds, but reported as notes payable in the statement of net assets.

(866,000)

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

Materials and Supplies Inventory	460	
Donated Commodities	(51,753)	
Intergovernmental Payable	(12,028)	
Capital Leases Payable	(69,754)	
Tax Refund Payable	60,994	
Vacation Benefits Payable	(8,130)	
Sick Leave Benefit Payable	<u>(220,992)</u>	(301,203)

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

134,375

*Change in Net Assets of Governmental Activities*

\$131,553

See accompanying notes to the basic financial statements

**Franklin Local School District, Ohio**  
*Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual (Budget Basis)  
General Fund  
For the Fiscal Year Ended June 30, 2001*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$2,605,042	\$2,570,595	\$2,756,978	\$186,383
Intergovernmental	9,121,865	9,165,094	9,411,272	246,178
Interest	355,000	355,000	417,497	62,497
Tuition and Fees	45,650	45,650	35,984	(9,666)
Miscellaneous	38,649	38,810	147,971	109,161
<i>Total Revenues</i>	<u>12,166,206</u>	<u>12,175,149</u>	<u>12,769,702</u>	<u>594,553</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	6,778,427	6,424,627	5,925,040	499,587
Special	836,425	850,706	771,993	78,713
Vocational	294,415	304,915	200,512	104,403
Other	76,974	76,974	41,975	34,999
Support Services:				
Pupils	444,918	447,193	321,341	125,852
Instructional Staff	776,804	856,851	770,024	86,827
Board of Education	629,338	641,659	520,480	121,179
Administration	1,199,055	1,255,698	1,011,355	244,343
Fiscal	357,450	372,618	256,193	116,425
Operation and Maintenance of Plant	1,809,450	1,917,419	1,296,732	620,687
Pupil Transportation	1,736,002	1,772,844	1,143,399	629,445
Central	48,358	48,558	47,258	1,300
Extracurricular Activities	244,032	260,278	188,063	72,215
<i>Total Expenditures</i>	<u>15,231,648</u>	<u>15,230,340</u>	<u>12,494,365</u>	<u>2,735,975</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(3,065,442)</u>	<u>(3,055,191)</u>	<u>275,337</u>	<u>3,330,528</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Fixed Assets	0	0	10,992	10,992
Refund of Prior Year Receipts	(66,000)	(57,817)	(57,817)	0
Transfers Out	(275,000)	(291,203)	(291,203)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(341,000)</u>	<u>(349,020)</u>	<u>(338,028)</u>	<u>10,992</u>
<i>Net Change in Fund Balance</i>	<u>(3,406,442)</u>	<u>(3,404,211)</u>	<u>(62,691)</u>	<u>3,341,520</u>
<i>Fund Balance Beginning of Year</i>	3,478,748	3,478,748	3,478,748	0
Prior Year Encumbrances Appropriated	286,297	286,297	286,297	0
<i>Fund Balance End of Year</i>	<u>\$358,603</u>	<u>\$360,834</u>	<u>\$3,702,354</u>	<u>\$3,341,520</u>

See accompanying notes to the basic financial statements

**Franklin Local School District, Ohio**

*Statement of Fund Net Assets*

*Internal Service Fund*

*June 30, 2001*

---

---

	<u>Medical-Dental Insurance</u>
<b>Current Assets</b>	
Cash and Cash Equivalents	\$490,229
Cash and Cash Equivalents in Segregated Accounts	<u>34,891</u>
<i>Total Assets</i>	<u>525,120</u>
<b>Current Liabilities</b>	
Deferred Revenue	94,985
Claims Payable	<u>153,300</u>
<i>Total Liabilities</i>	<u>248,285</u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$276,835</u></u>

See accompanying notes to the basic financial statements

**Franklin Local School District, Ohio**  
*Statement of Revenues,  
Expenses and Changes in Fund Net Assets  
Internal Service Fund  
For the Fiscal Year Ended June 30, 2001*

	Medical-Dental Insurance
<b>Operating Revenues</b>	
Charges for Services	\$1,186,362
<b>Operating Expenses</b>	
Purchased Services	232,303
Claims	820,399
<i>Total Operating Expenses</i>	1,052,702
<i>Operating Income</i>	133,660
<b>Non-Operating Revenues</b>	
Interest Income	715
<i>Change in Net Assets</i>	134,375
<i>Net Assets at Beginning of Year</i>	142,460
<i>Net Assets at End of Year</i>	\$276,835

See accompanying notes to the basic financial statements

**Franklin Local School District, Ohio**  
*Statement of Cash Flows*  
*Internal Service Fund*  
*For the Fiscal Year Ended June 30, 2001*

	Medical-Dental Insurance
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Transactions with Other Funds	\$1,199,285
Cash Payments to Suppliers for Services	(216,423)
Cash Payments for Claims	(862,099)
	120,763
<i>Net Cash Provided by Operating Activities</i>	120,763
<b>Cash Flows from Investing Activities</b>	
Interest on Investments	715
	715
<i>Net Increase in Cash and Cash Equivalents</i>	121,478
<i>Cash and Cash Equivalents Beginning of Year</i>	403,642
	403,642
<i>Cash and Cash Equivalents End of Year</i>	\$525,120
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating Income	\$133,660
<b>Changes in Assets and Liabilities</b>	
Decrease in Accounts Receivable	3,099
Decrease in Prepaid Items	12,781
Decrease in Claims Payable	(41,700)
Increase in Deferred Revenue	12,923
	12,923
<i>Net Cash Provided by Operating Activities</i>	\$120,763

See accompanying notes to the basic financial statements

**Franklin Local School District, Ohio**

*Statement of Fiduciary Net Assets*

*Fiduciary Funds*

*June 30, 2001*

---

---

	Private Purpose Trust	
	Pletcher Scholarship	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$17,294	\$21,006
Accrued Interest Receivable	117	0
<i>Total Assets</i>	<u>17,411</u>	<u>\$21,006</u>
<b>Liabilities</b>		
Due to Students	0	\$21,006
<i>Total Liabilities</i>	<u>0</u>	<u>\$21,006</u>
<b>Net Assets</b>		
Held in Trust for Scholarships	<u>17,411</u>	
<i>Total Net Assets</i>	<u>\$17,411</u>	

See accompanying notes to the basic financial statements

**Franklin Local School District, Ohio**  
*Statement of Changes in Fiduciary Net Assets*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2001*

	Pletcher Scholarship
<b>Additions</b>	
Interest	\$713
<i>Total Additions</i>	713
<b>Deductions</b>	
Scholarships	2,000
<i>Total Deductions</i>	2,000
<i>Change in Net Assets</i>	(1,287)
<i>Net Assets Beginning of Year</i>	18,698
<i>Net Assets End of Year</i>	\$17,411

See accompanying notes to the basic financial statements

## Franklin Local School District, Ohio

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2001*

---

---

### **Note 1 - Description of the School District and Reporting Entity**

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

The School District was established in 1827 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 210 square miles. It is located in Muskingum and Perry Counties, and includes the Villages of Philo and Roseville, the Townships of Salt Creek, Blue Rock, Brush Creek, Clay, Harrison, Meigs, and Wayne, and a portion of Rich Hill Township. The School District is the 194th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 111 classified employees, 143 certificated full-time teaching personnel, and 11 administrative employees who provide services to 2,471 students and other community members. The School District currently operates five instructional buildings, one administrative building, and one garage.

#### *Reporting Entity*

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The School District participates in three jointly governed organizations and one insurance purchasing pool. These organizations are the Ohio Mid-Eastern Regional Educational Service Agency, Mid-East Ohio Vocational School, Coalition of Rural and Appalachian Schools, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 16 and 17 to the basic financial statements.

## Franklin Local School District, Ohio

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2001*

---

---

### **Note 2 - Summary of Significant Accounting Policies**

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

#### ***A. Basis of Presentation***

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

***Government-wide Financial Statements*** The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

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

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

#### ***B. Fund Accounting***

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

## Franklin Local School District, Ohio

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2001*

---

---

**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 are the School District's major governmental funds:

**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.

**Debt Service Fund** The debt service fund receives property taxes for the payment of general obligation bonds and notes issued for various school improvements.

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

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

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

**Fiduciary Fund Type** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private purpose trust which accounts for a scholarship program for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for student activities.

### **C. Measurement Focus**

**Government-wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets.

## Franklin Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2001*

---

---

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

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

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

### ***D. Basis of Accounting***

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

***Revenues - Exchange and Non-Exchange Transactions*** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

## Franklin Local School District, Ohio

### *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2001*

---

***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, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

#### ***E. Cash and Cash Equivalents***

To improve cash management, cash received by the School District is pooled. Monies for all funds, including some internal service fund monies, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "cash and cash equivalents" on the balance sheet.

During fiscal year 2001, investments were limited to money market mutual funds which are reported at market value, and nonnegotiable certificates of deposit which are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2001 amounted to \$406,088, which includes \$120,089 assigned from other School District funds.

The School District has a segregated bank account for the self insurance internal service fund. This interest bearing depository account is presented in the balance sheet and statement of net assets as "cash and cash equivalents in segregated accounts" since it is not required to be deposited into the School District treasury.

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

#### ***F. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2001, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the fiscal year in which services are consumed.

**Franklin Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2001*

---

---

**G. Inventory**

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

**H. Capital Assets**

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

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

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

Description	Governmental Activities Estimated Lives
Buildings and Improvements	30 years
Furniture and Equipment	5 - 15 years
Vehicles	3 - 10 years

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

**J. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors grantors, or laws of other government or imposed by enabling legislation. Restricted assets include the amount required by State statute to be set aside to create a reserve for budget stabilization and revenues restricted for the purchase of buses. See Note 19 for additional information regarding set asides.

## **Franklin Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2001*

---

---

### ***K. 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 liability for vacation benefits is recorded as "vacation benefits payable" as the balances are to be used by employees within the calendar year earned.

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

The entire sick leave benefit liability is reported on the government-wide financial statements.

On the governmental fund financial statements, sick leave benefits are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

### ***L. Accrued Liabilities and Long-term Obligations***

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

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

### ***M. Interfund Activity***

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

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

### ***N. Fund Balance Reserves***

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

## **Franklin Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2001*

---

---

supplies and materials, property taxes, budget stabilization, and bus purchase.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

### ***O. Designated Fund Balance***

The School District has a designation of fund balance on the balance sheet for money set aside for special student needs.

### ***P. 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.

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

### ***Q. Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

### ***R. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2001.

### ***S. 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.

### ***T. Budgetary Data***

All funds, other than agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual

**Franklin Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2001*

---

---

limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the final amended certificate issued during fiscal year 2001.

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

**Note 3 - Changes in Accounting Principle and Restatement of Fund Balance**

***Changes in Accounting Principles*** For fiscal year 2001, the School District has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions", GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements." At June 30, 2001, there was no effect on fund balances as a result of implementing GASB Statements 33, 36, 37, and 38.

The School District implemented a new fixed asset policy which increased the capitalization threshold of capital assets from five hundred dollars to five thousand dollars.

GASB 34 creates new basic financial statements for reporting on the School District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the School District's programs between business-type and governmental activities. Except for the restatement explained below, the beginning net asset amount for the business-type activities equals fund equity of the enterprise funds from last year. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2000, caused by the elimination of the internal service fund, reclassification of funds based on the guidance provided in Statement No. 34, and the conversion to the accrual basis of accounting.

***Restatement of Fund Balance*** It was determined that enterprise funds should be reclassified as to special revenue funds. These restatements and the implementation of GASB 33 and Interpretation No. 6 had the following effects on fund balance of the major and nonmajor funds of the School District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

**Franklin Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2001*

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
Fund Balances, June 30, 2000	\$2,981,177	\$619,830	\$617,441	\$4,218,448
Fund Reclassification	200,733	0	189,888	390,621
Intergovernmental Payable	0	0	28,653	28,653
GASB 33:				
Deferred Revenue	(38,977)	0	(42,374)	(81,351)
Interpretation 6:				
Sick Leave Benefit Payable	9,093	0	23,531	32,624
Adjusted Fund Balance, June 30, 2000	<u>\$3,152,026</u>	<u>\$619,830</u>	<u>\$817,139</u>	4,588,995
GASB 34 Adjustments:				
Capital Assets				17,247,557
Unused Donated Commodities				11,674
Internal Service Funds				224,522
Pension Obligation				(145,533)
Accrued Interest Payable				(22,479)
Vacation Benefit Payable				(33,133)
Long-Term Liabilities				(6,031,851)
Long-Term (Deferred) Assets				961,159
Governmental Activities Net Assets, June 30, 2000				<u>\$16,800,911</u>

	<u>Business-type Activities</u>
Fund Equity, June 30, 2000	\$346,959
Fund Reclassification	<u>(346,959)</u>
Adjusted Net Assets, June 30, 2000	<u>\$0</u>

As a result of increasing the threshold for capital assets, the amount reported as of June 30, 2000 was decreased to \$17,247,557.

**Note 4 - Budgetary Basis of Accounting**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible

**Franklin Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2001*

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

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance	
GAAP Basis	\$478,134
Net Adjustment for Revenue Accruals	(205,807)
Prepaid Items	(14,236)
Unrecorded Cash	(73)
Net Adjustment for Expenditure Accruals	78,157
Adjustment for Encumbrances	<u>(398,866)</u>
Budget Basis	<u><u>(\$62,691)</u></u>

**Note 5 - Deposits and Investments**

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

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

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

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

Protection of 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

## Franklin Local School District, Ohio

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2001*

---

---

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, Bill, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above 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 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 (STAROhio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate 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. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Deposits** At fiscal year end, the carrying amount of the School District's deposits was \$4,589,574 and the bank balance was \$4,729,199. Of the bank balance:

1. \$235,979 was covered by federal depository insurance; and
2. \$4,493,220 was uninsured and uncollateralized. Although all State statutory requirements for

**Franklin Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2001*

the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

**Investments** The School District's investments are required to be categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name.

	<u>Market Value</u>
Money Market Mutual Funds	\$1,466,297

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
GASB Statement 9	\$6,055,871	\$0
Investment which is part of the Cash Management Pool:		
Money Market Mutual Funds	<u>(1,466,297)</u>	<u>1,466,297</u>
GASB Statement 3	<u>\$4,589,574</u>	<u>\$1,466,297</u>

**Note 6 - Property Taxes**

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

Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the School District. Property tax revenue received during calendar 2001 for real and public utility property taxes represents collections of calendar 2000 taxes. Property tax payments received during calendar 2001 for tangible personal property (other than public utility property) is for calendar 2001 taxes.

2001 real property taxes are levied after April 1, 2001, on the assessed value listed as of January 1, 2001, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value: public utility real property is assessed at thirty-five percent of true value. 2001 public utility property taxes became a lien December 31, 2000, are levied after April 1, 2001, and are collected in 2002 with real property taxes.

**Franklin Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2001*

2001 tangible personal property taxes are levied after April 1, 2000, on the value as of December 31, 2000. Collections are made in 2001. Tangible personal property assessments are twenty-five percent of true value.

The assessed values upon which the fiscal year 2001 taxes were collected are:

	2000 Second-Half Collections		2001 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$95,133,730	77.33%	\$122,994,690	80.77%
Public Utility Personal	20,732,930	16.85	22,018,350	14.46
Tangible Personal Property	7,159,089	5.82	7,269,464	4.77
Total	<u>\$123,025,749</u>	<u>100.00%</u>	<u>\$152,282,504</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$41.60		\$41.60	

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

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30. This year, the June 2001 tangible personal property tax settlement from Perry County was not received until August of 2001.

The School District receives property taxes from Muskingum and Perry County. The County Auditors periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding, the late settlement of personal property and real property, personal property and public utility taxes which are measurable as of June 30, 2001 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed settlement of personal property tax and the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. Also intended to finance current fiscal year operations is the June personal property tax and the mobile home tax settlements that were not received until August, 2001, in the amount of \$3,950 in the general fund, \$63 in the classroom facility maintenance special revenue fund, \$338 in the debt service fund, and \$251 in the permanent improvement capital projects fund.

The amount available as an advance at June 30, 2001, was \$1,396,272 and is recognized as revenue. \$1,147,925 in the general fund, \$26,184 in the classroom facility maintenance special revenue fund, \$165,362 in the debt service fund, and \$56,801 in the permanent improvement capital projects fund.

**Franklin Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2001*

**Note 7 - Receivables**

Receivables at June 30, 2001, consisted of property taxes, accounts (rent, student fees and tuition), intergovernmental grants, and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year.

A summary of principal items of intergovernmental receivables follows:

	<u>Amounts</u>
<b>Governmental Activities</b>	
CAFS Reimbursement	\$5,638
Homestead and Rollback	13,930
Class Size Reduction	24,519
Title I	76,033
Title VI-B	14,738
Eisenhower Grant	1,167
E-Rate	18,743
School Lunch Reimbursement	<u>6,203</u>
Total	<u><u>\$160,971</u></u>

**Note 8 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2001, was as follows:

	<u>Balance June 30, 2000</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2001</u>
<b>Nondepreciable Capital Assets</b>				
Land and Land Improvements	\$972,155	\$322,418	\$0	\$1,294,573
Construction in Progress	<u>138,386</u>	<u>687,894</u>	<u>0</u>	<u>826,280</u>
Total Capital Assets not being Depreciated	<u>1,110,541</u>	<u>1,010,312</u>	<u>0</u>	<u>2,120,853</u>
<b>Depreciable Capital Assets</b>				
Building and Improvements	21,513,753	18,000	0	21,531,753
Furniture and Equipment	1,621,382	115,490	(182,590)	1,554,282
Vehicles	<u>1,714,150</u>	<u>134,637</u>	<u>(169,723)</u>	<u>1,679,064</u>
Total at Historical Cost	<u>24,849,285</u>	<u>268,127</u>	<u>(352,313)</u>	<u>24,765,099</u>
Less Accumulated Depreciation				
Buildings and Improvements	(6,612,115)	(541,034)	0	(7,153,149)
Furniture and Equipment	(823,488)	(210,250)	174,378	(859,360)
Vehicles	<u>(1,276,666)</u>	<u>(172,186)</u>	<u>169,723</u>	<u>(1,279,129)</u>

**Franklin Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2001*

	<u>Balance June 30, 2000</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2001</u>
Total Accumulated Depreciation	<u>(\$8,712,269)</u>	<u>(\$923,470)</u>	<u>\$344,101</u>	<u>(\$9,291,638)</u>
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$16,137,016</u>	<u>(\$655,343)</u>	<u>(\$8,212)</u>	<u>\$15,473,461</u>
Governmental Activities Capital Assets, Net	<u>\$17,247,557</u>	<u>\$354,969</u>	<u>(\$8,212)</u>	<u>\$17,594,314</u>

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

Instruction:	
Regular	\$452,356
Special	41,899
Vocational	7,394
Support Services:	
Pupil	13,746
Instructional Staff	80,097
Board of Education	16,415
Administration	46,522
Fiscal	3,359
Operation and Maintenance of Plant	66,054
Pupil Transportation	131,393
Food Service Operations	64,235
Total Depreciation Expense	<u>\$923,470</u>

**Note 9 - Interfund Transfers**

Transfers made during fiscal year 2001 were \$291,203 to the permanent improvement capital projects fund from the general fund. This transfer was made to move general fund unrestricted balances to the permanent improvement capital projects fund to purchase land.

**Note 10 - Risk Management**

***A. Property and Liability***

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the School District contracted with Nationwide Insurance for all of the insurance shown below.

Coverages provided by Nationwide Insurance are as follows:

## Franklin Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2001

---

---

Building and Contents-replacement cost (\$1,000 deductible)	\$41,996,100
Inland Marine Coverage (\$100 deductible)	179,965
Boiler and Machinery (\$1,000 deductible)	9,911,200
Extra Expense	100,000
Miscellaneous Equipment (\$100 deductible)	119,059
Crime Insurance - Premises	4,000
Crime Insurance - Messenger	4,000
Automobile Liability (\$1,250 deductible)	1,000,000
Uninsured Motorists (No deductible)	5,000,000
General Liability	
Per occurrence	1,000,000
Total per year	3,000,000
Electronic Equipment (\$100 deductible)	1,551,860
Liability Umbrella Coverage	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from coverage in fiscal year 2000.

### ***B. Worker's Compensation***

For fiscal year 2001, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage 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 Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

### ***C. Employee Medical Benefits***

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. Monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$153,300 reported in the internal service fund at June 30, 2001, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in the fund's claims liability amount in fiscal years 1999, 2000, and 2001 were:

**Franklin Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2001*

---

---

	Balance at Beginning of Fiscal Year	Current Year Claims	Claim Payments	Balance at End of Fiscal Year
1999	\$103,603	\$1,024,935	\$975,264	\$153,274
2000	153,274	1,197,036	1,155,310	195,000
2001	195,000	820,399	862,099	153,300

**Note 11 - Employee Benefits**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 225 days for all personnel. Upon retirement, certified personnel may receive \$60 per day of accrued, but unused sick leave credit to a maximum of 225 days and classified personnel will receive payment for one-fourth of accrued, but unused sick leave credit to a maximum of 45 days.

**B. Insurance**

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

**Note 12 - Defined Benefit Pension Plans**

**A. School Employees Retirement System**

The School District contributes to the School Employees System of Ohio (SERS), a cost-sharing multiple employer defined 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, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 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 2001, 4.2 percent of annual covered salary was

## **Franklin Local School District, Ohio**

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2001*

---

---

the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999, were \$93,133, \$112,695, and \$141,163, respectively; 47 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$49,730 representing the unpaid contribution for fiscal year 2001. The balance outstanding is reflected as an intergovernmental payable.

#### ***B. State Teachers Retirement System***

The School District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 2001, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension obligations was 6.0 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999, were \$639,163, \$375,111, and \$347,636 respectively; 82 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$117,448 representing the unpaid contribution for fiscal year 2001. The balance outstanding is reflected as an intergovernmental payable.

#### ***C. Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2001, three members of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.

### **Note 13 - Postemployment Benefits**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System, (STRS), and to retired non-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

## **Franklin Local School District, Ohio**

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2001*

---

---

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District this amount equaled \$302,762 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3,419 million. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.80 percent of covered payroll, an increase of 1.3 percent for fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established as \$12,400. For the School District, the amount to fund health care benefits, including surcharge, during the 2001 fiscal year equaled \$243,824.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000, (the latest information available), were \$140,696,340 and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

### **Note 14 - Capitalized Leases**

During fiscal year 2001, the School District entered into a new lease agreement for thirteen copiers and paid off a prior lease of seven copiers. These lease obligations met the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the fund financial statements. The capital leases payable have been recorded on the government-wide statements. The agreements provide for minimum annual rental payments as follows:

**Franklin Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2001*

<u>Fiscal Year</u>	<u>Amount</u>
2002	\$22,715
2003	24,780
2004	24,780
2005	24,780
2005	8,260
Total Minimum Lease Payments	105,315
Less: Amount Representing Interest	(16,285)
Present Value of Minimum Lease Payments	<u>\$89,030</u>

The equipment has been capitalized in the amount of \$101,843, the present value of the minimum lease payments at the inception of the lease. Principal payments in fiscal year 2001 totaled \$32,089 in the governmental funds. The accumulated depreciation as of June 30, 2001, was \$15,276.

**Note 15 - Long Term Obligations**

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

	<u>Principal Outstanding 6/30/00</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Outstanding 6/30/01</u>	<u>Amounts Due in One Year</u>
<b>Governmental Activities</b>					
1997 3.8 - 5.7% School Construction General Obligation Bonds	\$4,890,000	\$0	\$100,000	\$4,790,000	\$120,000
2001 5.0 - 6.0% Energy Conservation Note	0	866,000	46,000	820,000	40,000
Tax Refund	60,994	0	60,994	0	0
Capital Leases	19,276	101,843	32,089	89,030	16,737
Sick Leave Benefit	1,061,581	349,661	128,669	1,282,573	54,802
Total Governmental Activities Long-Term Liabilities	<u>\$6,031,851</u>	<u>\$1,317,504</u>	<u>\$367,752</u>	<u>\$6,981,603</u>	<u>\$231,539</u>

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

**Franklin Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2001*

On August 1, 2000, the School District issued an unvoted general obligation energy conservation note for \$866,000. The note has a varying interest rate of 5.0 to 6.0% and was issued for the purpose of installing energy conservation improvements for the School District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The note were issued for a fifteen year period with final maturity during fiscal year 2015. The debt will be retired through reductions in energy consumption and cost savings attributed to the installation of the energy conservation improvements. The general fund allocates tax revenues to the bond retirement debt service fund to meet current fiscal year obligations. Of the note proceeds, \$39,720 remained unexpended as of June 30, 2001.

The overall debt margin of the School District as of June 30, 2001, was \$9,597,600, with an unvoted debt margin of \$152,283. Principal and interest requirements to retire the general obligation bonds and energy conservation note outstanding at June 30, 2001, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$160,000	\$317,847	\$477,847
2003	170,000	309,987	479,987
2004	185,000	301,217	486,217
2005	200,000	291,527	491,527
2006	215,000	281,038	496,038
2007-2011	1,375,000	1,204,663	2,579,663
2012-2016	1,950,000	693,423	2,643,423
2017-2019	1,355,000	118,988	1,473,988
Total	<u>\$5,610,000</u>	<u>\$3,518,690</u>	<u>\$9,128,690</u>

The tax refund of \$60,994 was for a repayment of taxes to Texas Eastern Transmission Corporation, a public utility company, for tax years 1992-1996. The repayment of taxes was deducted from the School District's tax settlement by the Muskingum County Auditor. No interest was required for the refund.

Capital leases will be paid from the general fund. Compensated absences will be paid from the fund from which the employees' salaries are paid. These funds include general, food service, Title VI-B, and Title I.

**Note 16 - Jointly Governed Organizations**

***A. Ohio Mid-Eastern Regional Educational Service Agency***

The School District is a participant in the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) which was created as a regional council of governments pursuant to State statutes. OME-RESA was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. OME-RESA has eleven participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Muskingum, Noble, and Tuscarawas Counties. OME-RESA is governed by a board which is selected by the member districts. OME-RESA possesses its own budgeting and financing authority. The continued

## **Franklin Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2001*

---

existence of OME-RESA is not dependent on the District's continued participation and no equity interest exists. The School District's payments for computer services to OME-RESA in fiscal year 2001 was \$63,130. To obtain financial information, write to the Ohio Mid-Eastern Regional Educational Service Agency, Debbie Angelo, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio.

### ***B. Mid-East Ohio Vocational School***

The Mid-East Ohio Vocational School is a jointly governed organization providing vocational services to its thirteen member school districts. The Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one member from each of the participating school district's boards. The board possesses its own budgeting and taxing authority. The continued existence of the Vocational School is not dependent on the District's continued participation and no equity interest exists. During fiscal year 2001 the School District made no contributions to the Vocational School. To obtain financial information write to the Mid-East Ohio Vocational School District, Cindy Nye, Treasurer, at 1965 Chandlersville Road, Zanesville, Ohio 45701.

### ***C. Coalition of Rural and Appalachian Schools***

The Coalition of Rural and Appalachian Schools is a jointly governed organization including over 100 hundred school districts in southeastern Ohio. The Coalition is operated by a Board which is composed of fourteen members. The board members are composed of one superintendent from each county elected by the school districts within that county. The Council provides various inservice for school district administrative personnel; gathers of data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. The School District's membership fee was \$300 for fiscal year 2001.

## **Note 17 - Insurance Purchasing Pool**

### ***Ohio School Boards Association Workers' Compensation Group Rating Plan***

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

## **Note 18 - Contingencies**

### ***A. Grants***

## Franklin Local School District, Ohio

### Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2001

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is 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, 2001.

#### **B. Litigation**

The School District is currently not a party to any legal proceedings.

#### **Note 19 - Set asides**

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

The School District was also required to set aside money for budget stabilization. Senate Bill 345, effective April 10, 2001, eliminated future set-aside requirements for the budget stabilization, reduced requirements related to the current set-aside, and placed restrictions on current budget stabilization money relating to the worker's compensation refunds.

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

	Budget Stabilization Reserve	Capital Improvements Reserve	Textbooks Instructional Materials Reserve
Set-aside Reserve Balance as of June 30, 2000	\$167,995	\$0	(\$123,483)
Current Year Set-aside Requirement	0	258,632	258,632
Current Year Offsets	0	(236,037)	0
Qualifying Disbursements	0	(1,305,124)	(232,208)
Reduction in Requirement based on revised legislation	(102,809)	0	0
Total	<u>\$65,186</u>	<u>(\$1,282,529)</u>	<u>(\$97,059)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$65,186</u>	<u>(\$826,280)</u>	<u>(\$97,059)</u>

## **Franklin Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2001*

---

---

The School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital improvements and textbook set-asides. The extra amounts in the textbook and capital improvement set-asides may be used to reduce the set-aside requirement of future fiscal years.

### **Note 20 - Contractual Commitments**

As of June 30, 2001, the School District has contractual commitments for the House Bill 264 energy conservation improvements. The School District is reporting construction in progress for amounts already expended at June 30, 2001. The amount of the capital project is \$866,167. The amount already expended as of June 30, 2001 was \$826,280 and the balance remaining at June 30, 2001, was \$39,887.

### **Note 21 - Subsequent Event**

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- ▶ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- ▶ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order. In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of January 22, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

**FRANKLIN LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2001**

<b>FEDERAL GRANTOR</b> <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	10.550	N/A	\$	\$52,959	\$	\$51,753
National School Breakfast Program	10.553	048843 05-PU-00/01	51,720		51,720	
National School Lunch Program	10.555	048843 LL-P1/4-00/01	291,821		291,821	
National Summer Food Program	10.559	048843-23-PU-00/01	16,704		16,704	
Total U.S. Department of Agriculture-Nutrition Cluster			360,245	52,959	360,245	51,753
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Educationally Deprived Children - Local Educational Agencies Title I	84.010	048843 C1-S1-99C			2,272	
	84.010	048843 C1-S1-00	(37,308)		73,593	
	84.010	048843 C1-S1-00C	41,534		40,938	
	84.010	048843 C1-S1-01	283,761		222,181	
Total Title I			287,987		338,984	
Education of the Handicapped	84.027	048843 6B-SF-00	12,952		21,397	
	84.027	048843 6B-SF-01	130,602		112,814	
Total Education of the Handicapped			143,554		134,211	
Drug Free Schools and Communities Grant	84.186	048843-DR-S1-01	9,941		7,505	
Goals 2000 - Continuous Improvement	84.276	048843 G2-S2-00	21,000		11,831	
	84.276	048843 G2-S2-01	14,000		11,050	
Goals 2000 - Entry Year Project	84.276	048843 G2-S3-00	2,000		2,098	
	84.276	048843 G2-S3-01	20,000		10,963	
Total Goals 2000			55,000		35,942	
Eisenhower Professional Development State Grant	84.281	048843-MS-S1-00	1,158		9,279	
	84.281	048843-MS-S1-01	10,065		4,755	
Total Eisenhower Professional Development			11,223		14,034	
Innovative Education Program Strategies	84.298	048843-C2-S1-00C			5,611	
	84.298	048843-C2-S1-01	11,864		8,198	
Total Innovative Education Program Strategies			11,864		13,809	
Comprehensive School Reform	84.332	048843-RF-SI-00			1,500	
	84.332	048843-RF-SI-01	167,100		239,100	
Total Comprehensive School Reform			167,100		240,600	
Reducing Class Size Title VI - R	84.340	048843-CR-S1-00			20,454	
	84.340	048843-CR-S1-01	36,222		33,323	
Total Reducing Class Size Title VI - R			36,222		53,777	
Total U.S. Department of Education			722,891		838,862	

(Continued)

FRANKLIN LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
<b><u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Learn and Serve America Planning Program	94.004	048843-SV-S2-01	2,148		1,183	
Total Corporation for National and Community Service			2,148		1,183	
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>						
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Medical Assistance Program - CAFS	93.778	N/A	38,313		38,313	
Total U.S. Department of Health and Human Services			38,313		38,313	
<b>Total Federal Awards Receipts and Expenditures</b>			<b><u>\$1,123,597</u></b>	<b><u>\$52,959</u></b>	<b><u>\$1,238,603</u></b>	<b><u>\$51,753</u></b>

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

**FRANKLIN LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2001**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) is a summary of the School District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - FOOD DISTRIBUTION**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the School District had no significant food commodities in inventory.



STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

743 East State Street  
Athens Mall, Suite B  
Athens, Ohio 45701  
Telephone 740-594-3300  
800-441-1389  
Facsimile 740-594-2110  
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON  
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Board of Education:

We have audited the basic financial statements of Franklin Local School District, Muskingum County, Ohio (the School District), as of and for the year ended June 30, 2001, and have issued our report thereon dated March 7, 2002, wherein, we noted the School District adopted Governmental Accounting Standards Board Statements 33, 34, 36, 37 and Interpretation 6. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the School District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *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 in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted one matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to the management of the School District in a separate letter dated March 7, 2002.

Franklin Local School District  
Muskingum County  
Report of Independent Accountants on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

This report is intended for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

March 7, 2002



STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

743 East State Street  
Athens Mall, Suite B  
Athens, Ohio 45701  
Telephone 740-594-3300  
800-441-1389  
Facsimile 740-594-2110  
www.auditor.state.oh.us

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

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

To the Board of Education:

**Compliance**

We have audited the compliance of Franklin Local School District, Muskingum County, Ohio (the School District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2001. The School District's major federal program is identified in the Summary of Auditor's Results Section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. 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 obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2001.

**Internal Control over Compliance**

The management of the School District is responsible for establishing and maintaining effective internal control over compliance with 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 have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

March 7, 2002

**FRANKLIN LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2001**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Nutrition Cluster - CFDA # 10.550, 10.553, 10.555, 10.559
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

---

JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**FRANKLIN LOCAL SCHOOL DISTRICT**

**MUSKINGUM COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 19, 2002**