



Dave Yost • Auditor of State



**FRANKLIN MONROE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**TABLE OF CONTENTS**

TITLE	PAGE
Independent Auditor's Report .....	1
Management's Discussion and Analysis – For the Fiscal Years Ended June 30, 2014 and 2013 .....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position – Cash Basis – June 30, 2014 .....	15
Statement of Activities – Cash Basis – For the Fiscal Year Ended June 30, 2014 .....	16
Fund Financial Statements:	
Statement of Assets and Fund Balances – Cash Basis – Governmental Funds – June 30, 2014.....	17
Statement of Cash Receipts, Disbursements, and Changes in Fund Balances - Cash Basis – Governmental Funds – For the Fiscal Year Ended June 30, 2014 .....	18
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual - Budget Basis – General Fund – For the Fiscal Year Ended June 30, 2014.....	19
Statement of Fiduciary Net Position- Cash Basis – Fiduciary Fund – June 30, 2014 .....	20
Government-Wide Financial Statements:	
Statement of Net Position – Cash Basis – June 30, 2013 .....	21
Statement of Activities – Cash Basis – For the Fiscal Year Ended June 30, 2013 .....	22
Fund Financial Statements:	
Statement of Assets and Fund Balances – Cash Basis – Governmental Funds – June 30, 2013.....	23
Statement of Cash Receipts, Disbursements, and Changes in Fund Balances Cash Basis – Governmental Funds – For the Fiscal Year Ended June 30, 2013 .....	24
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual - Budget Basis – General Fund – For the Fiscal Year Ended June 30, 2013.....	25
Statement of Fiduciary Net Position - Cash Basis – Fiduciary Fund – June 30, 2013 .....	26
Notes to the Basic Financial Statements - For the Fiscal Years Ended June 30, 2014 and 2013 .....	27
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i> .....	51
Schedule of Findings .....	53
Schedule of Prior Audit Findings.....	54
Independent Accountants' Report on Applying Agreed-Upon Procedures.....	55

**This page intentionally left blank.**



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Franklin Monroe Local School District  
Darke County  
8591 Oakes Road  
P.O. Box 78  
Pitsburg, Ohio 45358

To the Board of Education:

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Franklin Monroe Local School District, Darke County, Ohio (the School District), as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

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

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 C. describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Franklin Monroe Local School District, Darke County, Ohio, as of June 30, 2014 and 2013, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the years then ended in accordance with the accounting basis described in Note 2 C.

**Accounting Basis**

Ohio Administrative Code § 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 C. of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

**Other Matters**

*Supplemental and Other Information*

We audited to opine on the School District's financial statements that collectively comprise its basic financial statements.

*Management's Discussion & Analysis* for fiscal years 2014 and 2013 includes tables of net position, changes in net position, and governmental activities. This information provides additional analysis and is not a required part of the basic financial statements.

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

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2014, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

August 28, 2014

**This page intentionally left blank.**



**FRANKLIN MONROE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013**

This discussion and analysis of the Franklin Monroe Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal years ended June 30, 2014 and 2013, within the limitations of the School District's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

**Highlights**

Key highlights for fiscal year 2014 are as follows:

- The net position of governmental activities increased \$114,892 from fiscal year 2013.
- On November 4, 2008, voters approved a 6.43 mill bond levy that will generate revenue to pay for bonds along with interest. The bond proceeds are being used to pay for the local share of school construction under the State of Ohio Classroom Facilities Assistance program. The State funded portion of the project was \$20,594,714. In addition, the voters approved a .5 mill maintenance levy.
- The School District has \$5,412,999 in outstanding general obligation bonds whose proceeds were used to cover the costs of the local share of school construction under the State of Ohio Classroom Facilities Assistance Program.
- The School District's had \$7,609,169 in cash disbursements, down from \$8,060,561 in fiscal year 2013. Contributing to the decrease in cash disbursements was a decrease in the payment for construction on the new building and decreased pupil transportation and central disbursements.

Key highlights for fiscal year 2013 are as follows:

- The net position of governmental activities decreased \$564,900 from fiscal year 2012.
- On November 4, 2008, voters approved a 6.43 mill bond levy that will generate revenue to pay for bonds along with interest. The bond proceeds are being used to pay for the local share of school construction under the State of Ohio Classroom Facilities Assistance program. The State funded portion of the project is \$20,594,714. In addition, the voters approved a .5 mill maintenance levy.
- The School District has \$5,582,999 in outstanding general obligation bonds whose proceeds were used to cover the costs of the local share of school construction under the State of Ohio Classroom Facilities Assistance Program.
- The School District's had \$8,060,561 in cash disbursements, down \$7,881,778 from fiscal year 2012. Contributing to the decrease in cash disbursements was a decrease in the payment for construction on the new building.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the School District's cash basis of accounting.

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013  
(Continued)**

**Report Components**

The statement of net position – cash basis and the statement of activities – cash basis provide information about the cash activities of the School District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the School District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The School District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the School District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**Reporting the School District as a Whole**

*Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis*

The statement of net position – cash basis and the statement of activities – cash basis reflect how the School District did financially during fiscal years 2014 and 2013, within the limitations of cash basis accounting. The statement of net position – cash basis presents the cash balances and investments of the governmental activities of the School District at fiscal year-end. The statement of activities – cash basis compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the School District's financial health. Over time, increases or decreases in the School District's cash position is one indicator of whether the School District's financial health is improving or deteriorating. When evaluating the School District's financial condition, you should also consider other non-financial factors as well such as 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 position and the statement of activities – cash basis, the School District reports governmental activities. Governmental activities are where the School District's basic services are reported, including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. The School District has no business-type activities.

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013  
(Continued)**

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

*Fund Financial Statements*

Fund financial statements provide detailed information about the School District's major funds – not the School District as a whole. The School District establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the School District are split into two categories: governmental and fiduciary.

**Governmental Funds** - Most of the School District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the School District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the School District's programs. The School District's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The School District's major governmental fund for fiscal year end 2014 was the General Fund and for fiscal year end 2013 was the General Fund and the Classroom Facilities State Share Fund.

**Fiduciary Funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the School District's programs.

**The School District as a Whole**

Table 1 provides a summary of the School District's net position for fiscal year 2014 compared to fiscal year 2013 compared to fiscal year 2012 on a cash basis:

**(Table 1)  
Net Position**

	<b>Governmental Activities</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$4,043,037	\$3,478,137	\$3,593,029
<b>Net Position:</b>			
<b>Restricted for:</b>			
Capital Projects	\$1,144,985	\$600,462	\$354,857
Debt Service	216,466	281,465	334,545
Other Purposes	180,052	218,427	208,104
Unrestricted	2,501,534	2,377,783	2,695,523
Total Net Position	\$4,043,037	\$3,478,137	\$3,593,029

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013  
(Continued)**

When comparing fiscal year 2014 to 2013 –

- Net position of governmental activities increased \$114,892 during fiscal year 2014. Net position for capital projects decreased as the cash was used for the construction of the new building. The School District approved a 6.43 mill property tax levy that is being used to pay for the local share of the building project. Collections on this levy began in fiscal year 2009. In addition, the voters approved a .5 mill capital maintenance levy that collections began in fiscal year 2009.
- Unrestricted net position increased from prior year. Unrestricted net position is the part of net position that can be used to finance day-to-day activities without constraints established by grants or legal requirements. Trimming general fund disbursements over \$375,000 contributed to the increase in unrestricted net position.

When comparing fiscal year 2013 to 2012 –

- Net position of governmental activities decreased \$564,900 during fiscal year 2013. Net position for capital projects decreased as the cash was used for the construction of the new building. The School District approved a 6.43 mill property tax levy that is being used to pay for the local share of the building project. Collections on this levy began in fiscal year 2009. In addition, the voters approved a .5 mill capital maintenance levy that collections began in fiscal year 2009.
- Unrestricted net position decreased from prior year. Unrestricted net position is the part of net position that can be used to finance day-to-day activities without constraints established by grants or legal requirements.
- A decrease in the Education JOBS grant resulted in a decrease in operating grants and contributions.
- The large decrease in capital grants and contributions was the result of monies received from the OSFC for the construction project decreasing as the project is finishing completion.
- Expenditures have decreased 49% for fiscal year 2013 as a result of the school construction project.

Table 2 reflects the changes in net position for fiscal years 2014, 2013 and 2012.

**(Table 2)  
Changes in Net Position**

	<b>Governmental Activities</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>Receipts:</b>			
<b>Program Receipts:</b>			
Charges for Services	\$1,854,476	\$1,624,174	\$1,569,599
Operating Grants and Contributions	470,549	414,963	363,611
Capital Grants and Contributions	195,661		
<b>Total Program Receipts</b>	<b>2,520,686</b>	<b>2,039,137</b>	<b>1,933,210</b>

(Continued)

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013  
(Continued)**

**(Table 2)  
Changes in Net Position  
(Continued)**

	<b>Governmental Activities</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>Receipts: (Continued)</b>			
<b>General Receipts:</b>			
Property Taxes	1,636,268	1,694,559	1,691,198
Income Taxes	566,570	570,709	609,983
Grants and Entitlements Not Restricted to Specific Programs	3,147,521	3,171,822	3,211,485
Interest	6,083	6,551	4,961
All Other Categories	104,834	12,883	273,224
Total General Receipts	<u>5,461,276</u>	<u>5,456,524</u>	<u>5,790,851</u>
Total Receipts	<u>7,981,962</u>	<u>7,495,661</u>	<u>7,724,061</u>
<b>Disbursements:</b>			
Instruction	4,199,101	3,985,446	3,872,113
<b>Support Services:</b>			
Pupils and Instructional Staff	753,306	689,313	554,297
Board of Education, Administration and Fiscal	850,808	832,180	798,875
Operation and Maintenance of Plant	653,807	592,609	568,829
Pupil Transportation	361,700	439,296	341,732
Central	140,114	121,490	9,364
Operation of Non-Instructional Services	224,314	204,596	303,030
Extracurricular Activities	241,215	218,565	270,708
Capital Outlay	8,125,251	592,493	493,898
Debt Service	392,723	384,573	396,323
Total Disbursements	<u>15,942,339</u>	<u>8,060,561</u>	<u>7,609,169</u>
Increase (Decrease) in Net Position	<u>(7,960,377)</u>	<u>(564,900)</u>	<u>114,892</u>
Net Position, Beginning of Year	<u>12,003,414</u>	<u>4,043,037</u>	<u>3,478,137</u>
Net Position, Ending of Year	<u>\$4,043,037</u>	<u>\$3,478,137</u>	<u>\$3,593,029</u>

**Governmental Activities**

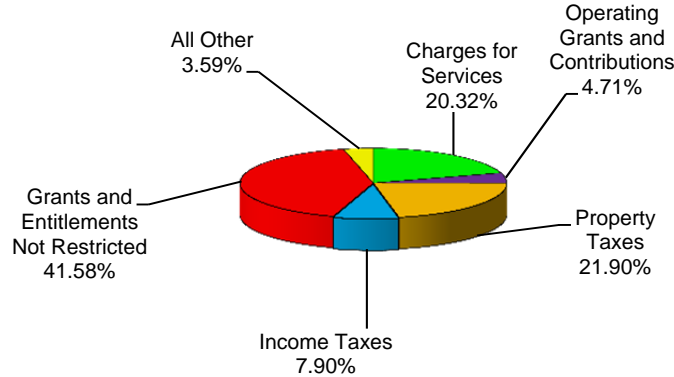
For fiscal year 2014 –

- Disbursements had decreased 5.6%. Contributing to the decrease in disbursements was a decrease in school construction project disbursements, and decreases in salaries resulting from not replacing two retirees and a reduction in hours for replacements of other retirees.
- The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for the School District Operations. For 2014, property taxes made up 21.9% of receipts while income taxes added an additional 7.90% of receipts. Grants and entitlements not restricted, typically the School District's largest source of receipts, consists largely of state foundation monies.

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

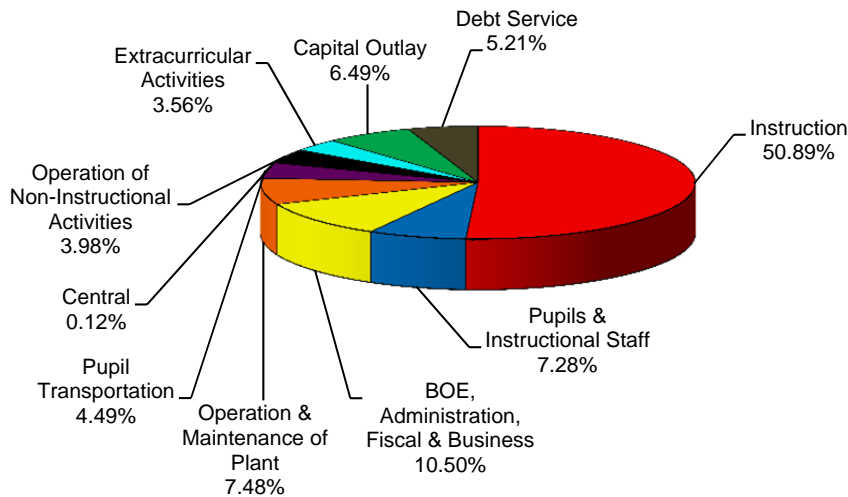
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013  
(Continued)**

**Governmental Receipts**



- Capital outlay disbursements for the building of the new facilities made up 6.49%. Instruction disbursements comprise 50.89% of the School District's disbursements. Support services make up 29.87% of disbursements.

**Governmental Disbursements**



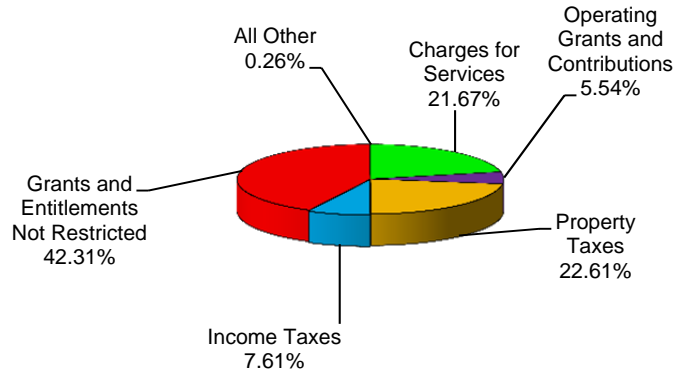
For fiscal year 2013 –

- The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for the School District Operations. Property taxes made up 22.61% of receipts while income taxes added an additional 7.61% of receipts. Grants and entitlements not restricted, typically the School District's largest source of receipts, consists largely of state foundation monies.

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

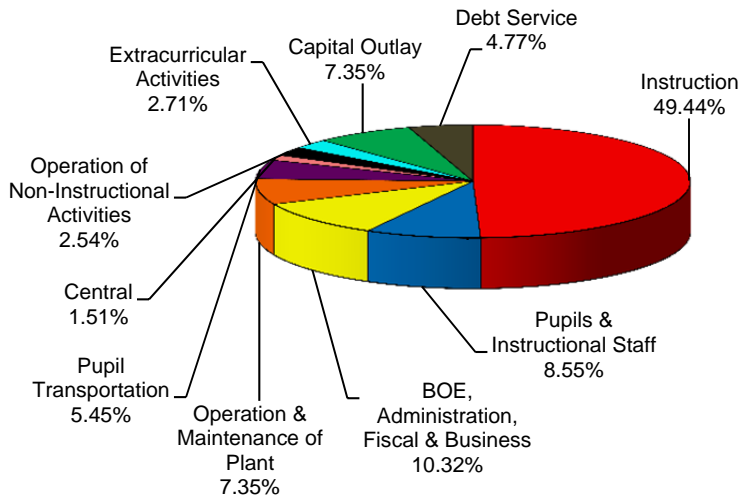
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013  
(Continued)**

**Governmental Receipts**



- Capital outlay disbursements for the building of the new facilities made up 7.35%. Instruction disbursements comprise 49.44% of the School District's disbursements. Support services make up 33.18% of disbursements.

**Governmental Disbursements**



If you look at the Statement of Activities – Cash Basis for fiscal year end 2014 and 2013 on pages 16 and 22, respectively, you will see that the first column lists the major services provided by the School District. The next column identifies the costs of providing these services.

The next two columns of the Statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service and grants received by the School District that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This “net cost” amount represents the cost of the service which ends up being paid from money provided by local taxpayers.

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013  
(Continued)**

These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**(Table 3)  
Governmental Activities**

	<b>Total Cost Of Services 2013</b>	<b>Net Cost Of Services 2013</b>	<b>Total Cost Of Services 2014</b>	<b>Net Cost Of Services 2014</b>
Instruction	\$3,985,446	(\$2,451,134)	\$3,872,113	(\$2,412,925)
<b>Support Services:</b>				
Pupils and Instructional Staff	689,313	(567,369)	554,297	(431,697)
Board of Education, Administration and Fiscal	832,180	(816,831)	798,875	(797,897)
Operation and Maintenance of Plant	592,609	(590,489)	568,829	(566,804)
Pupil Transportation	439,296	(429,653)	341,732	(329,834)
Central	121,490	(117,890)	9,364	(9,364)
Operation of Non-Instructional Services	204,596	(4,736)	303,030	(124,177)
Extracurricular Activities	218,565	(66,256)	270,708	(113,040)
Capital Outlay	592,493	(592,493)	493,898	(493,898)
Debt Service	384,573	(384,573)	396,323	(396,323)
<b>Total Expenses</b>	<b>\$8,060,561</b>	<b>(\$6,021,424)</b>	<b>\$7,609,169</b>	<b>(\$5,675,959)</b>

**(Table 3)  
Governmental Activities**

	<b>Total Cost Of Services 2012</b>	<b>Net Cost of Services 2012</b>	<b>Total Cost Of Services 2013</b>	<b>Net Cost of Services 2013</b>
Instruction	\$4,199,101	(\$2,594,304)	\$3,985,446	(\$2,451,134)
<b>Support Services:</b>				
Pupils and Instructional Staff	753,306	(614,524)	689,313	(567,369)
Board of Education, Administration and Fiscal	850,808	(850,808)	832,180	(816,831)
Operation and Maintenance of Plant	653,807	(474,485)	592,609	(590,489)
Pupil Transportation	361,700	(349,003)	439,296	(429,653)
Central	140,114	(136,514)	121,490	(117,890)
Operation of Non-Instructional Services	224,314	(1,826)	204,596	(4,736)
Extracurricular Activities	241,215	(77,876)	218,565	(66,256)
Capital Outlay	8,125,251	(7,929,590)	592,493	(592,493)
Debt Service	392,723	(392,723)	384,573	(384,573)
<b>Total Expenses</b>	<b>\$15,942,339</b>	<b>(\$13,421,653)</b>	<b>\$8,060,561</b>	<b>(\$6,021,424)</b>

The dependence upon state foundation, property and income tax receipts is critical as a large portion of governmental activities are supported through these general receipts.

**The School District's Funds**

For fiscal year 2014 –

- Total governmental funds had receipts of \$7,449,699 and disbursements of \$7,525,555.
- The fund balance of the General Fund increased \$317,744. General fund disbursements decreased \$376,799 or 5.84% from prior year. Decreases in salaries resulting from not replacing two retirees and a reduction in hours for replacements of other retirees contributed to the decrease.



**FRANKLIN MONROE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013  
(Continued)**

For fiscal year 2013 –

- Total governmental funds had receipts of \$7,482,778 and disbursements of \$8,055,042.
- The fund balance of the General Fund decreased \$123,751. The General Fund transferred \$1,800 to the District Managed Student Activities special revenue fund during fiscal year 2013.
- Finally, the Classroom Facilities State Share fund was established in fiscal year 2009 as a major fund. Fund balance decreased due to monies spent on the construction project.

**General Fund Budgeting Highlights**

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

During fiscal year 2014,

- The School District amended its General Fund budget several times to reflect changing circumstances. The difference between final budgeted receipts and actual receipts was not significant. Estimated receipts increased almost \$64,000, of which \$45,000 was for income taxes.
- Final disbursements were budgeted at \$6,175,044 while actual disbursements were \$6,176,885. The School District kept spending very close to budgeted amounts as demonstrated by the minor reported variances. The net change in fund balance showed a \$183,512 increase for fiscal year 2014.

During fiscal year 2013,

- The School District amended its General Fund budget several times to reflect changing circumstances. The difference between final budgeted receipts and actual receipts was not significant. Estimated receipts increased almost \$90,000, \$24,000 was for property taxes, \$20,700 was for income taxes, \$24,000 was for intergovernmental revenues and \$28,000 was for tuition and fees.
- Final disbursements were budgeted at \$6,575,120 while actual disbursements were \$6,534,666. The School District kept spending very close to budgeted amounts as demonstrated by the minor reported variances. The net change in fund balance showed a \$276,327 decrease for fiscal year 2013.

**Capital Assets and Debt Administration**

**Capital Assets**

The School District does not currently keep track of its capital assets and infrastructure for reporting purposes.

**Debt**

At June 30, 2014, the School District had \$5,412,999 in outstanding bonds. The bonds were issued to fund the costs of the \$4,218,195, the local share of school construction under the State of Ohio Classroom Facilities Assistance Program along with \$2,000,000 for the (LFI) Locally Funded Initiative Portion of the Project. See note 9 for further information.

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013  
(Continued)**

At June 30, 2013, the School District had \$5,582,999 in outstanding bonds. The bonds were issued to fund the costs of the \$4,218,195, the local share of school construction under the State of Ohio Classroom Facilities Assistance Program along with \$2,000,000 for the (LFI) Locally Funded Initiative Portion of the Project. See note 9 for further information.

**Current Issues**

The challenge for all School Districts is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases, shrinking funding. We rely heavily on local taxes and state funding.

On November 4, 2008, voters approved a 6.43 mill bond levy that will generate revenue to pay for bonds with a principal amount of \$6,218,195, along with interest. The bond proceeds are being used to pay for the local share of school construction under the State of Ohio Classroom Facilities Assistance program. The levy is for 28 years commencing in 2008, with taxes first due in calendar year 2009. The State funded portion of the project is \$20,594,714. In addition, the voters approved a .5 mill maintenance levy that the County Auditor estimates will generate \$29,180 per year for 23 years.

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

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Doug Bixler, Treasurer at P.O. Box 78, Pitsburg, OH 45358.

FRANKLIN MONROE LOCAL SCHOOL DISTRICT  
DARKE COUNTY

STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30, 2014

	<u>Governmental Activities</u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$3,593,029</u>
<b>Net Position:</b>	
<b>Restricted for:</b>	
Capital Projects	\$354,857
Debt Service	334,545
Other Purposes	208,104
Unrestricted	<u>2,695,523</u>
Total Net Position	<u>\$3,593,029</u>

*See accompanying notes to the basic financial statements.*

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Program Cash Receipts</u>			<b>Net (Disbursements) Receipts and Changes in Net Position</b>
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Total Governmental Activities</u>
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular	\$3,218,346	\$1,149,114	\$107,733	(\$1,961,499)
Special	507,391	162,970	14,014	(330,407)
Vocational	83,683		25,357	(58,326)
Student Intervention Services	60,777			(60,777)
Other	1,916			(1,916)
<b>Support Services:</b>				
Pupil	333,954		118,529	(215,425)
Instructional Staff	220,343		4,071	(216,272)
Board of Education	60,621			(60,621)
Administration	536,585	978		(535,607)
Fiscal	201,669			(201,669)
Operation and Maintenance of Plant	568,829	2,025		(566,804)
Pupil Transportation	341,732	11,898		(329,834)
Central	9,364			(9,364)
Operation of Non-Instructional Services	303,030	103,684	75,169	(124,177)
Extracurricular Activities	270,708	138,930	18,738	(113,040)
Capital Outlay	493,898			(493,898)
<b>Debt Service:</b>				
Principal Retirement	170,000			(170,000)
Interest and Fiscal Charges	226,323			(226,323)
<b>Total Governmental Activities</b>	<u><u>\$7,609,169</u></u>	<u><u>\$1,569,599</u></u>	<u><u>\$363,611</u></u>	<u><u>(5,675,959)</u></u>

**General Receipts:**

**Property Taxes Levied for:**

General Purposes	1,247,105
Capital Outlay	24,660
Debt Service	393,253
Capital Maintenance	26,180
Income Taxes Levied for General Purposes	609,983
Grants and Entitlements not Restricted to Specific Programs	3,211,485
Grant from School Facilities Commission for Capital Construction	236,311
Gifts and Donations not Restricted to Specific Programs	100
Interest	4,961
Miscellaneous	36,813
<b>Total General Receipts</b>	<u><u>5,790,851</u></u>
 Change in Net Position	 114,892
 Net Position Beginning of Year	 <u>3,478,137</u>
 Net Position End of Year	 <u><u>\$3,593,029</u></u>

See accompanying notes to the basic financial statements.

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2014**

	<b>General</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$2,695,523	\$897,506	\$3,593,029
Liabilities			
<b>Fund Balances:</b>			
Restricted		\$897,420	\$897,420
Committed		86	86
Assigned	176,228		176,228
Unassigned	2,519,295		2,519,295
Total Fund Balances	\$2,695,523	\$897,506	\$3,593,029

*See accompanying notes to the basic financial statements.*

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receipts:</b>			
Property Taxes	\$1,247,105	\$444,093	\$1,691,198
Income Tax	609,983		609,983
Intergovernmental	3,148,055	398,785	3,546,840
Interest	4,157	822	4,979
Tuition and Fees	1,277,033		1,277,033
Rent	1,657		1,657
Extracurricular Activities	56,089	120,727	176,816
Contributions and Donations	9,490	18,848	28,338
Charges for Services	3,951	103,684	107,635
Miscellaneous	22	5,198	5,220
Total Receipts	<u>6,357,542</u>	<u>1,092,157</u>	<u>7,449,699</u>
<b>Disbursements:</b>			
<b>Current:</b>			
<b>Instruction:</b>			
Regular	3,118,782	99,564	3,218,346
Special	493,377	14,014	507,391
Vocational	83,683		83,683
Student Intervention Services	60,777		60,777
Other	1,916		1,916
<b>Support Services:</b>			
Pupil	215,359	118,595	333,954
Instructional Staff	216,281	4,062	220,343
Board of Education	60,621		60,621
Administration	536,585		536,585
Fiscal	190,822	10,847	201,669
Operation and Maintenance of Plant	504,309	64,520	568,829
Pupil Transportation	331,090	10,642	341,732
Central	9,364		9,364
Operation of Non-Instructional Services	101,774	201,256	303,030
Extracurricular Activities	151,710	118,998	270,708
Capital Outlay	2,471	407,813	410,284
<b>Debt Service:</b>			
Principal Retirement		170,000	170,000
Interest and Fiscal Charges		226,323	226,323
Total Disbursements	<u>6,078,921</u>	<u>1,446,634</u>	<u>7,525,555</u>
Excess of Receipts Over (Under) Disbursements	<u>278,621</u>	<u>(354,477)</u>	<u>(75,856)</u>
<b>Other Financing Sources (Uses):</b>			
Refund of Prior Year Expenditures	37,434	236,926	274,360
Refund of Prior Year Receipts	(30)	(83,582)	(83,612)
Advances In	1,719		1,719
Advances Out		(1,719)	(1,719)
Total Other Financing Sources (Uses)	<u>39,123</u>	<u>151,625</u>	<u>190,748</u>
Net Change in Fund Balances	317,744	(202,852)	114,892
Fund Balances Beginning of Year	<u>2,377,779</u>	<u>1,100,358</u>	<u>3,478,137</u>
Fund Balances End of Year	<u>\$2,695,523</u>	<u>\$897,506</u>	<u>\$3,593,029</u>

See accompanying notes to the basic financial statements.

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts:</b>				
Property Taxes	\$1,270,216	\$1,247,105	\$1,247,105	
Income Tax	565,000	609,983	609,983	
Intergovernmental	3,114,882	3,148,055	3,148,055	
Interest	5,000	4,157	4,157	
Tuition and Fees	1,264,000	1,277,033	1,277,033	
Rent	1,300	1,657	1,657	
Extracurricular Activities	30,000	29,213	29,213	
Contributions and Donations		100	100	
Charges for Services	7,000	3,951	3,951	
Miscellaneous		7	22	\$15
<b>Total Receipts</b>	<b>6,257,398</b>	<b>6,321,261</b>	<b>6,321,276</b>	<b>15</b>
<b>Disbursements:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	3,214,082	3,112,386	3,112,504	(118)
Special	481,855	530,498	529,377	1,121
Vocational	82,980	83,733	83,733	
Student Intervention Services	61,785	60,777	60,777	
Other	15,700	5,696	5,696	
<b>Support Services:</b>				
Pupil	187,888	216,396	216,396	
Instructional Staff	191,015	220,086	220,086	
Board of Education	28,020	60,621	60,621	
Administration	572,904	548,878	548,878	
Fiscal	219,102	192,167	192,172	(5)
Operation and Maintenance of Plant	572,442	510,557	513,396	(2,839)
Pupil Transportation	378,160	342,930	342,930	
Central	86,900	9,364	9,364	
Operation of Non-Instructional Services	190,100	126,774	126,774	
Extracurricular Activities	140,100	151,710	151,710	
Capital Outlay		2,471	2,471	
<b>Total Disbursements</b>	<b>6,423,033</b>	<b>6,175,044</b>	<b>6,176,885</b>	<b>(1,841)</b>
<b>Excess of Receipts Over (Under) Disbursements</b>	<b>(165,635)</b>	<b>146,217</b>	<b>144,391</b>	<b>(1,826)</b>
<b>Other Financing Sources (Uses):</b>				
Refund of Prior Year Expenditures	25,000	37,432	37,432	
Refund of Prior Year Receipts	(1,030)	(30)	(30)	
Advances In		1,719	1,719	
Transfers Out	(12,000)			
<b>Total Other Financing Sources (Uses)</b>	<b>11,970</b>	<b>39,121</b>	<b>39,121</b>	
<b>Net Change in Fund Balance</b>	<b>(153,665)</b>	<b>185,338</b>	<b>183,512</b>	<b>(1,826)</b>
Fund Balance Beginning of Year	2,183,246	2,183,246	2,183,246	
Prior Year Encumbrances Appropriated	152,536	152,536	152,536	
<b>Fund Balance End of Year</b>	<b>\$2,182,117</b>	<b>\$2,521,120</b>	<b>\$2,519,294</b>	<b>(\$1,826)</b>

See accompanying notes to the basic financial statements.

FRANKLIN MONROE LOCAL SCHOOL DISTRICT  
DARKE COUNTY

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS  
FIDUCIARY FUND  
JUNE 30, 2014

	<u>Agency</u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$39,364</u>
<b>Liabilities:</b>	
Due to Students	<u>\$39,364</u>

*See accompanying notes to the basic financial statements.*



FRANKLIN MONROE LOCAL SCHOOL DISTRICT  
DARKE COUNTY

STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30, 2013

	<u>Governmental Activities</u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$3,478,137</u>
<b>Net Position:</b>	
<b>Restricted for:</b>	
Capital Projects	\$600,462
Debt Service	281,465
Other Purposes	218,427
Unrestricted	<u>2,377,783</u>
Total Net Position	<u>\$3,478,137</u>

*See accompanying notes to the basic financial statements.*

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Program Cash Receipts</u>			<b>Net (Disbursements) Receipts and Changes in Net Position</b>
	<b>Cash Disbursements</b>	<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>	<b>Total Governmental Activities</b>
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular	\$3,235,842	\$1,201,951	\$144,074	(\$1,889,817)
Special	577,763	139,278	25,472	(413,013)
Vocational	93,047		23,537	(69,510)
Student Intervention Services	65,490			(65,490)
Other	13,304			(13,304)
<b>Support Services:</b>				
Pupil	378,403		121,944	(256,459)
Instructional Staff	310,910			(310,910)
Board of Education	26,441			(26,441)
Administration	570,526	3,545		(566,981)
Fiscal	235,213	11,804		(223,409)
Operation and Maintenance of Plant	592,609	2,120		(590,489)
Pupil Transportation	439,296	9,643		(429,653)
Central	121,490		3,600	(117,890)
Operation of Non-Instructional Services	204,596	119,990	79,870	(4,736)
Extracurricular Activities	218,565	135,843	16,466	(66,256)
Capital Outlay	592,493			(592,493)
<b>Debt Service:</b>				
Principal Retirement	155,000			(155,000)
Interest and Fiscal Charges	229,573			(229,573)
<b>Total Governmental Activities</b>	<b><u>\$8,060,561</u></b>	<b><u>\$1,624,174</u></b>	<b><u>\$414,963</u></b>	<b><u>(6,021,424)</u></b>
<b>General Receipts:</b>				
<b>Property Taxes Levied for:</b>				
General Purposes				1,249,087
Capital Outlay				24,698
Debt Service				394,456
Capital Maintenance				26,318
Income Taxes Levied for General Purposes				570,709
Grants and Entitlements not Restricted to Specific Programs				3,171,822
Interest				6,551
Miscellaneous				12,883
<b>Total General Receipts</b>				<b><u>5,456,524</u></b>
Change in Net Position				(564,900)
Net Position Beginning of Year				<u>4,043,037</u>
Net Position End of Year				<b><u>\$3,478,137</u></b>

See accompanying notes to the basic financial statements.

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2013**

	<u>General</u>	<u>Classroom Facilities State Share</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$2,377,783	\$511,440	\$588,914	\$3,478,137
Liabilities				
<b>Fund Balances:</b>				
Restricted		511,440	581,569	1,093,009
Committed			7,345	7,345
Assigned	348,196			348,196
Unassigned	2,029,587			2,029,587
Total Fund Balances	<u>\$2,377,783</u>	<u>\$511,440</u>	<u>\$588,914</u>	<u>\$3,478,137</u>

*See accompanying notes to the basic financial statements.*

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>General</u>	<u>Classroom Facilities State Share</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receipts:</b>				
Property Taxes	\$1,249,087		\$445,472	\$1,694,559
Income Tax	570,709			570,709
Intergovernmental	3,087,621	\$23,623	434,272	3,545,516
Interest	5,313	501	775	6,589
Tuition and Fees	1,292,646			1,292,646
Rent	1,346			1,346
Extracurricular Activities	80,191		116,321	196,512
Contributions and Donations	24,765		16,466	41,231
Charges for Services	13,710		119,960	133,670
Total Receipts	<u>6,325,388</u>	<u>24,124</u>	<u>1,133,266</u>	<u>7,482,778</u>
<b>Disbursements:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	3,113,784		116,539	3,230,323
Special	560,417		17,346	577,763
Vocational	93,047			93,047
Student Intervention Services	65,490			65,490
Other	13,304			13,304
<b>Support Services:</b>				
Pupil	257,676		120,727	378,403
Instructional Staff	306,910		4,000	310,910
Board of Education	26,441			26,441
Administration	570,526			570,526
Fiscal	224,046		11,167	235,213
Operation and Maintenance of Plant	565,440		27,169	592,609
Pupil Transportation	427,492		11,804	439,296
Central	117,890		3,600	121,490
Operation of Non-Instructional Services	4		204,592	204,596
Extracurricular Activities	111,120		107,445	218,565
Capital Outlay	2,133	526,875	63,485	592,493
<b>Debt Service:</b>				
Principal Retirement			155,000	155,000
Interest and Fiscal Charges			229,573	229,573
Total Disbursements	<u>6,455,720</u>	<u>526,875</u>	<u>1,072,447</u>	<u>8,055,042</u>
Excess of Receipts Over (Under) Disbursements	<u>(130,332)</u>	<u>(502,751)</u>	<u>60,819</u>	<u>(572,264)</u>
<b>Other Financing Sources (Uses):</b>				
Refund of Prior Year Expenditures	12,883			12,883
Refund of Prior Year Receipts	(5,519)			(5,519)
Transfers In			1,800	1,800
Advances In	1,017			1,017
Advances Out			(1,017)	(1,017)
Transfers Out	(1,800)			(1,800)
Total Other Financing Sources (Uses)	<u>6,581</u>		<u>783</u>	<u>7,364</u>
Net Change in Fund Balances	(123,751)	(502,751)	61,602	(564,900)
Fund Balances Beginning of Year	<u>2,501,534</u>	<u>1,014,191</u>	<u>527,312</u>	<u>4,043,037</u>
Fund Balances End of Year	<u>\$2,377,783</u>	<u>\$511,440</u>	<u>\$588,914</u>	<u>\$3,478,137</u>

See accompanying notes to the basic financial statements.

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
<b>Receipts:</b>				
Property Taxes	\$1,225,000	\$1,249,000	\$1,249,087	\$87
Income Tax	550,000	570,700	570,709	9
Intergovernmental	3,062,011	3,086,011	3,087,621	1,610
Interest	5,000	5,000	5,313	313
Tuition and Fees	1,264,427	1,292,127	1,292,646	519
Rent	1,300	1,300	1,346	46
Extracurricular Activities	31,000	30,824	31,356	532
Charges for Services	20,000	13,500	13,710	210
<b>Total Receipts</b>	<u>6,158,738</u>	<u>6,248,462</u>	<u>6,251,788</u>	<u>3,326</u>
<b>Disbursements</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	3,048,542	3,056,904	3,056,656	248
Special	615,047	574,297	569,097	5,200
Vocational	103,910	93,910	93,192	718
Student Intervention Services	74,000	68,000	65,490	2,510
Other	12,657	12,657	14,004	(1,347)
<b>Support Services:</b>				
Pupil	286,870	265,870	264,324	1,546
Instructional Staff	358,396	308,396	307,160	1,236
Board of Education	33,448	26,548	26,536	12
Administration	623,599	581,599	580,900	699
Fiscal	221,302	232,302	231,073	1,229
Operation and Maintenance of Plant	582,241	602,241	594,252	7,989
Pupil Transportation	479,493	459,493	444,347	15,146
Central	145,973	176,473	174,382	2,091
Operation of Non-Instructional Services	575	575		575
Extracurricular Activities	122,705	113,705	111,120	2,585
Capital Outlay		2,150	2,133	17
<b>Total Disbursements</b>	<u>6,708,758</u>	<u>6,575,120</u>	<u>6,534,666</u>	<u>40,454</u>
Excess of Receipts Over (Under) Disbursements	<u>(550,020)</u>	<u>(326,658)</u>	<u>(282,878)</u>	<u>43,780</u>
<b>Other Financing Sources (Uses):</b>				
Refund of Prior Year Expenditures	15,000	13,000	12,883	(117)
Refund of Prior Year Receipts	(5,520)	(5,550)	(5,549)	1
Advances In	1,341	1,016	1,017	1
Transfers Out		(1,800)	(1,800)	
<b>Total Other Financing Sources (Uses)</b>	<u>10,821</u>	<u>6,666</u>	<u>6,551</u>	<u>(115)</u>
Net Change in Fund Balance	(539,199)	(319,992)	(276,327)	43,665
Fund Balance Beginning of Year	2,324,478	2,324,478	2,324,478	
Prior Year Encumbrances Appropriated	135,095	135,095	135,095	
<b>Fund Balance End of Year</b>	<u>\$1,920,374</u>	<u>\$2,139,581</u>	<u>\$2,183,246</u>	<u>\$43,665</u>

See accompanying notes to the basic financial statements.

FRANKLIN MONROE LOCAL SCHOOL DISTRICT  
DARKE COUNTY

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS  
FIDUCIARY FUND  
JUNE 30, 2013

	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$33,311</u></u>
<b>Liabilities</b>	
Due to Students	<u><u>\$33,311</u></u>

*See accompanying notes to the basic financial statements.*

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

The School District was established in 1959 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 60 square miles. It is located in Darke County, and includes the Village of Pittsburg and portions of Franklin, Monroe, Greenville, Twin and Van Buren Townships. The Board of Education controls the School District's one instructional building staffed by 33 and 32 classified employees in fiscal year 2013 and 2014 respectively and 57 and 51 certificated full-time personnel in fiscal year 2013 and 2014 respectively, who provide services to 762 and 735 students and other community members in fiscal years 2013 and 2014 respectively.

**Reporting Entity**

A reporting entity is comprised of the primary government, component units and other organizations included ensuring that the basic financial statements are not misleading.

**A. Primary Government**

The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Franklin Monroe Local School District, this includes general operations, food service, and student related activities of the School District.

**B. Component Units**

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. The School District is also financially accountable for any organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the School District, are accessible to the School District are significant in amount to the School District. The School District has no component units.

The School District participates in three jointly governed organizations and three insurance purchasing pools. Note 14 to the basic financial statements provides additional information for these entities.

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013  
(Continued)**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

These organizations are:

Jointly Governed Organizations:

Metropolitan Dayton Education Cooperative Association  
Southwestern Ohio Educational Purchasing Council  
Southwestern Ohio Instructional Technology Association

Insurance Purchasing Pools:

Southwestern Ohio Educational Purchasing Council Workers' Compensation  
Group Rating Plan  
Southwestern Ohio Educational Purchasing Council Medical Benefits Plan  
Ohio School Insurance Plan

The School District's management believes these financial statements present all activities for which the School District is financially accountable.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. The following are the more significant of the School District's accounting policies.

**A. Basis of Presentation**

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

**1. Government-wide Financial Statement:**

The statement of net position – cash basis and the statement of activities – cash basis display information about the School District as a whole. These statements include the financial activities of the primary government, except for the fiduciary funds. The government-wide financial statements distinguish between those activities that are governmental and those that are business-type. General governmental activities are financed through taxes, intergovernmental receipts, or other non-exchange transactions. The School District does not have any business-type activities.

The statement of net position – cash basis presents the cash balances of the governmental activities of the School District at fiscal year-end. The statement of activities – cash basis compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on the cash basis or draws from the School District's general receipts.



**FRANKLIN MONROE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Fund Financial Statements**

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

**B. Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The School District classifies each fund as either governmental or fiduciary.

**1. Governmental Funds**

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other non-exchange transactions as governmental funds. During fiscal year 2014 the School District's major governmental fund was the General Fund, while during fiscal year 2013 the School District's major governmental funds were the General Fund and Classroom Facilities State Share fund.

**General Fund** - The general fund accounts for all financial resources, except for restricted resources required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to Ohio law.

**Classroom Facilities State Share** - The classroom facilities state share fund is used to account for the expenses associated with the State portion the School District's plan for school construction under the State of Ohio Classroom Facilities Assistance Program, other improvements to school facilities including equipment, furnishings, and building demolition.

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

**2. Fiduciary Funds**

Fiduciary funds account for cash and investments where the School District is acting as trustee or fiscal agent for other entities or individuals. Fiduciary funds include private-purpose trust funds and agency funds. Trust funds account for assets the School District holds under trust agreements for individuals, private organizations, or other governments and are not available to support the School District's own programs. Agency funds are custodial in nature, where the School District deposits and pays cash as directed by another entity or individual. The School District's agency fund accounts for student-managed activities' cash.

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Accounting**

The School District's financial statements are prepared using the basis of cash accounting. Receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. If the School District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

**D. Cash, Cash Equivalents and Investments**

To improve cash management, cash received by the School District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

Investments of the cash management pool and investments with an original maturity of three months or less when purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments

Investments are reported as assets. Accordingly, purchases of investment are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of the sale are recorded as receipts or negative receipts (contra revenue), respectively.

During fiscal years 2014 and 2013, the School District invested in certificates of deposit, Invesco STIT Government & Agency Mutual Fund, and STAR Ohio. The School District investments are valued at cost. The School District invested funds in STAR Ohio, an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes.

STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for at fiscal year-end.

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest receipts credited to the general fund during fiscal year 2014 was \$4,157, including \$1,129 assigned from other School District funds. While interest receipts credited to the general fund during fiscal year 2013 was \$5,313, including \$1,753 assigned from other School District funds.

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Inventory and Prepaid Items**

On the cash basis of accounting, inventories of supplies and prepaid items are reported as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

**F. Capital Assets**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. Capital assets are not reflected as assets in the accompanying financial statements.

**G. Interfund Receivables/Payables**

The School District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

**H. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the School District's cash basis of accounting.

**I. Employer Contributions to Cost-Sharing Pension Plans**

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**J. Long-term Obligations**

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the cash basis of accounting. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transactions, neither and other financing source nor a capital outlay expenditure are recorded at inception. Lease payments are reported when paid.

**K. Fund Balance**

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

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

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

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

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

**L. Net Position**

Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The School District first applies restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position is available. Net position was not restricted by enabling legislation.

**M. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchasing funds. Non-exchange flows of cash from one fund to another are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures in the respective funds.

**N. Budgetary Data**

Ohio law requires all funds, other than agency funds, to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which use 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.

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The Board of Education uses the function level within the general fund and the fund level for all other funds as its legal level of control. Budgetary allocations at the object level within all funds are made by the Treasurer.

The certificate of estimated resources may be amended during the fiscal year if the School District Treasurer projects increases or decreases in receipts. The amounts reported as the original budget in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budget in the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations were passed. The Board may amend appropriations throughout the fiscal year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budget reflect the first appropriation for that fund covering the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budget represent the final appropriation the Board passed during the fiscal year.

**3. DEPOSITS AND INVESTMENTS**

**A. Investment Policies**

The School District follows the investment guidelines established by State statutes which require the classification of the 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 monies are public deposits that the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings 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 monies must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts including but not limited to passbook accounts.

Interim monies are to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013  
(Continued)**

**3. DEPOSITS AND INVESTMENTS (Continued)**

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

**B. Deposits**

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

At June 30, 2014, the carrying amount of the School District's deposits was \$2,327,063 and the bank balance was \$2,345,575. \$2,248,229 of the bank balance was insured by federal depository insurance. As of June 30, 2014, \$97,346 of the School District's bank balance was exposed to custodial risk and was uninsured and uncollateralized.

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013  
(Continued)**

**3. DEPOSITS AND INVESTMENTS (Continued)**

At June 30, 2013, the carrying amount of the School District's deposits was \$830,973 and the bank balance was \$967,127. \$697,281 of the bank balance was insured by federal depository insurance. As of June 30, 2013, \$269,846 of the School District's bank balance was exposed to custodial risk and was uninsured and uncollateralized.

**C. Investments**

The School District's had the following investments at June 30, 2014:

<u>Investments:</u>	<u>Average Maturity/ Maturity Date</u>	<u>Amount</u>
INVESCO STIT Government & Agency Mutual Fund	38.34 days	\$396,874
STAR Ohio	51.4 days	908,456
		<u>\$1,305,330</u>

The School District's had the following investments at June 30, 2013:

<u>Investments:</u>	<u>Average Maturity/ Maturity Date</u>	<u>Amount</u>
INVESCO STIT Government & Agency Mutual Fund	40.63 days	\$388,035
STAR Ohio	57.5 days	2,292,440
		<u>\$2,680,475</u>

**Interest Rate Risk** – Interest rate risk arises because the potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date

**Credit Risk** – State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The School District's investment policy does not further limit its investment choices. The School District's investment in STAR Ohio is rated AAAM by Standard & Poor's. The School District's investment in INVESCO Government and Agency Portfolio is rated AAA by Standard & Poor's.

**Custodial Credit Risk** - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirements of ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

**Concentration of Credit Risk** - The School District places no limits on the amount the School District may invest in any one issuer. The School District has invested more than 5 percent in the following:

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013  
(Continued)**

**3. DEPOSITS AND INVESTMENTS (Continued)**

<b>Investments at June 30, 2014:</b>	<b>Percentage</b>
INVESCO Government & Agency Portfolio	30.40%
STAR Ohio	69.60%
<b>Investments at June 30, 2013:</b>	<b>Percentage</b>
INVESCO Government & Agency Portfolio	14.48%
STAR Ohio	85.52%

**4. PROPERTY TAXES**

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

Real property tax receipts received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value.

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

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

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

The School District receives property taxes from Darke and Miami Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2014 taxes were collected are:

	<b>2013 Second- Half Collections</b>		<b>2014 First - Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/residential and Other Real Estate	\$68,626,280	97.15%	\$68,386,220	96.98%
Public Utility Personal	2,009,800	2.85%	2,129,590	3.02%
Total	\$70,636,080	100.00%	\$70,515,810	100.00%
Tax rate per \$1,000 of assessed valuation	\$41.66		\$41.66	



**FRANKLIN MONROE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013  
(Continued)**

**4. PROPERTY TAXES (Continued)**

The assessed values upon which the fiscal year 2013 taxes were collected are:

	<b>2012 Second- Half Collections</b>		<b>2013 Second- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/residential and Other Real Estate	\$68,353,940	97.37%	\$68,626,280	97.15%
Public Utility Personal	1,846,540	2.63%	2,009,800	2.85%
Total	<u>\$70,200,480</u>	<u>100.00%</u>	<u>\$70,636,080</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$39.08		\$41.66	

An additional 2.58 mills is levied for the Miami Valley Career Technology Center.

On November 4, 2008, voters approved a 6.43 mill bond levy that will generate revenue to pay for bonds with a principal amount of \$6,218,195, along with interest. The bond proceeds were used to pay for the local share of school construction under the State of Ohio Classroom Facilities Assistance program. The levy is for 28 years commencing in 2008, with taxes first due in calendar year 2009. The State funded portion of the project was \$20,594,714. In addition, the voters approved a .5 mill maintenance levy that the County Auditor estimates will generate \$29,190 per year for 23 years.

**5. INCOME TAX**

The School District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1993, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**6. 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 years 2014 and 2013, the School District participated in the Ohio School Insurance Plan for property and liability insurance. Fleet insurance is through RJ Warner Insurance. Coverage provided is as follows:

Blanket Building – replacement cost (\$2,500 deductible)	\$18,040,000
Blanket Business Personal Property – replacement cost (\$2,500 deductible)	3,575,000
Building	250,000
Crime Insurance (\$500 deductible)	
Employee Theft	100,000
Forgery or Alteration	25,000
Inside the Premises – Theft of Money and Securities	50,000
Outside the Premises – Theft of Money and Securities	25,000
Money Orders and Counterfeit Money	25,000

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013  
(Continued)**

**6. RISK MANAGEMENT (Continued)**

Automobile Liability (no deductible)	1,000,000
Uninsured/Underinsured Motorists (no deductible)	1,000,000
Medical Payments (each person)	5,000
Comprehensive ACV	
Collision (\$100 deductible) ACV	
Education General Liability:	
General Aggregate Limit	3,000,000
Products-Completed Operations Aggregate Limit	3,000,000
Personal and Advertising – Injury Limit	1,000,000
Each Occurrence	1,000,000
Crisis Event Response Communication	100,000
Post Crisis Event Expense	100,000
Crisis Event Business Income and Extra Expense	100,000
Sexual Misconduct	1,000,000
Ohio Employers Liability Defense	1,000,000
Contractor’s Equipment	263,300
Electronic Data Processing Property (\$2,500 deductible)	1,000,000
Commercial Umbrella Liability Coverage	
Each Occurrence	1,000,000
Aggregate	3,000,000
School Leaders Risk (\$5,000 deductible)	1,000,000
Errors and Omissions Liability (\$5,000 deductible):	
Policy Damages	1,000,000
IEP Hearing Limit	50,000
Desegregation Limit	100,000
Breach of Contract Limit	100,000
Breach of Fiduciary Duty Limit	25,000
Data Compromise Coverage (\$1,000 deductible)	\$50,000

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

**B. Workers’ Compensation**

For fiscal years 2014 and 2013, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers’ Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 14). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers’ compensation experience of the participating school districts is calculated as 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 Integrated Comp, Inc. provides administrative, cost control and actuarial services to the GRP.

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013  
(Continued)**

**6. RISK MANAGEMENT (Continued)**

**C. Employee Medical Benefits**

For fiscal years 2014 and 2013, the School District participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (Note 14). The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the School District by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating school districts is calculated and a premium rate is applied to all school districts in the MBP. Each participant pays its health insurance premiums to Southwestern Ohio Educational Purchasing Council Medical Benefits Plan. Participation in the MBP is limited to school districts that can meet the MBP's selection criteria.

**7. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

**Funding Policy** - Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rating among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund and Health Care Fund) of the System. For fiscal years 2014 and 2013, the allocation to pension and death benefits is 13.1%. The remaining .9% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$111,714, \$98,885, and 101,949, respectively; 83.23% has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012.

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

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

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013  
(Continued)**

**7. DEFINED BENEFIT PENSION PLANS (Continued)**

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

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

**Funding Policy** - For the fiscal years ended June 30, 2014 and 2013, plan members were required to contribute 11 and 10 percent of their annual covered salaries, respectively. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013, and 2012 were \$344,469, \$370,415, and \$386,517, respectively; 84.14 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**8. POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

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

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013  
(Continued)**

**8. POSTEMPLOYMENT BENEFITS (Continued)**

**Medicare Part B Plan** – The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999, Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2013 (the latest information available) was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76%. For fiscal year 2013, this actuarially required allocation was 0.74%. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$6,481, \$5,586, and \$6,021, respectively; 83.23% has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**Health Care Plan** – ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the years ended June 30, 2014 and 2013, the health care allocation is .14% and .16%, respectively.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS covered payroll for health care surcharge. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund.

The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$13,479, \$14,209, and \$16,700, respectively; 83.23% has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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

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

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013  
(Continued)**

**8. POSTEMPLOYMENT BENEFITS (Continued)**

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

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

**Funding Policy** – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014 and 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District’s contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$26,498, \$28,493, and \$29,732, respectively; 84.14 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**9. DEBT**

The changes in the School District’s long-term obligations during fiscal year 2014 were as follows:

	<b>Amount Outstanding 6/30/2013</b>	<b>Additions</b>	<b>Deletions</b>	<b>Amount Outstanding 6/30/2014</b>	<b>Amount Due in One Year</b>
<b>Governmental Activities:</b>					
2009 School Improvement Bonds					
Serial Bonds 2.0%-3.4%	\$880,000		(\$170,000)	\$710,000	\$170,000
Term Bonds 3.7%-4.75%	4,610,000			4,610,000	
Capital Appreciation Bonds 3.8%-3.9%	92,999			92,999	
Total Governmental Activities					
Long-Term Liabilities	<u>\$5,582,999</u>	<u>\$0</u>	<u>(\$170,000)</u>	<u>\$5,412,999</u>	<u>\$170,000</u>

The changes in the School District’s long-term obligations during fiscal year 2013 were as follows:

	<b>Amount Outstanding 6/30/2012</b>	<b>Additions</b>	<b>Deletions</b>	<b>Amount Outstanding 6/30/2013</b>	<b>Amount Due in One Year</b>
<b>Governmental Activities</b>					
2009 School Improvement Bonds					
Serial Bonds 2.0%-3.4%	\$1,035,000		(\$155,000)	\$880,000	\$170,000
Term Bonds 3.7%-4.75%	4,610,000			4,610,000	
Capital Appreciation Bonds 3.8%-3.9%	92,999			92,999	
Total Governmental Activities					
Long-Term Liabilities	<u>\$5,737,999</u>	<u>\$0</u>	<u>(\$155,000)</u>	<u>\$5,582,999</u>	<u>\$170,000</u>

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013  
(Continued)**

**9. DEBT (Continued)**

2009 School Improvement General Obligation Bonds – In May 2009, the School District issued \$6,217,999 in voted general obligation bonds to refund general obligation notes. The School District issued \$6,218,000 in general obligation notes to pay for the local share of the school construction under the State of Ohio Classroom Facilities Assistance Program, other improvements to school facilities including equipment, furnishings, building demolition, and other site improvements. The bond issue included serial, term, and capital appreciation bonds, in the amount of \$1,515,000, \$4,610,000, and \$92,999, respectively. The bonds are being retired from the Bond Retirement debt service fund.

The term bonds maturing on December 1, 2021, 2023, 2026, 2029, 2032 and 2036 are subject to mandatory sinking fund redemption, at the redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, on December 1, in the years and respective principal amounts as follows:

<u>Year</u>	<u>Amounts</u>
2021	\$390,000
2023	420,000
2026	695,000
2029	790,000
2032	900,000
2036	1,415,000

Unless previously redeemed, the remaining principal amount will mature at stated maturity.

The serial bonds maturing on or after December 1, 2019, are subjected to optional redemption, in whole or in part on any date, in inverse order of maturity and by lot within a maturity, in integral multiples of \$5,000, at the option of the School District on or after June 1, 2019, at 100% of the face value plus accrued interest.

The capital appreciation bonds will mature in fiscal years 2016 through 2017 and are not subject to redemption prior to maturity. The maturity amount of the bonds is \$180,000 for both 2017 and 2018.

At June 30, 2014, the School District's overall legal debt margin was \$1,267,969 with an un-voted debt margin of \$70,516. At June 30, 2013, the School District's overall legal debt margin was \$1,055,713 with an un-voted debt margin of \$70,636. Principal and interest requirements to retire long-term liabilities outstanding at June 30, 2014, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$170,000	\$222,497
2016	175,000	218,010
2017	50,427	345,221
2018	42,572	353,076
2019	180,000	212,768
2020-2024	995,000	961,844
2025-2029	1,210,000	740,071
2030-2034	1,505,000	439,726
2035-2037	1,085,000	78,969
Total	<u>\$5,412,999</u>	<u>\$3,572,182</u>

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013  
(Continued)**

**10. FUND BALANCES**

Fund balance is classified as non-spendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below as of June 30, 2014:

<u>Fund Balance</u>	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Restricted for:</b>			
Food Service Operations		\$4,803	\$4,803
Classroom Maintenance		129,885	129,885
Athletics		63,080	63,080
Capital Improvements		354,857	354,857
Debt Service		334,545	334,545
Federal and State Grants		10,250	10,250
Total Restricted		<u>897,420</u>	<u>897,420</u>
<b>Committed for:</b>			
Capital Improvements		86	86
<b>Assigned for:</b>			
Unpaid Obligations	\$138,422		138,422
Public School Support	37,806		37,806
Total Assigned	<u>176,228</u>		<u>176,228</u>
Unassigned	<u>2,519,295</u>		<u>2,519,295</u>
Total Fund Balance	<u>\$2,695,523</u>	<u>\$897,506</u>	<u>\$3,593,029</u>

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below as of June 30, 2013:

<u>Fund Balance</u>	<u>General</u>	<u>Classroom Facilities State Share</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Restricted for:</b>				
Food Service Operations			\$26,648	\$26,648
Classroom Maintenance			133,389	133,389
Athletics			48,025	48,025
Capital Improvements		\$511,440	89,022	600,462
Debt Service			281,465	281,465
Federal and State Grants			3,020	3,020
Total Restricted		<u>511,440</u>	<u>581,569</u>	<u>1,093,009</u>
<b>Committed for:</b>				
Capital Improvements			7,345	7,345
<b>Assigned for:</b>				
Unpaid Obligations	\$152,535			152,535
FY 14 Appropriations	153,663			153,663
Public School Support	41,998			41,998
Total Assigned	<u>348,196</u>			<u>348,196</u>
Unassigned	<u>2,029,587</u>			<u>2,029,587</u>
Total Fund Balance	<u>\$2,377,783</u>	<u>\$511,440</u>	<u>\$588,914</u>	<u>\$3,478,137</u>



**FRANKLIN MONROE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013  
(Continued)**

**11. INTERFUND BALANCES**

At June 30, 2008, the Track Maintenance Fund, a non-major special revenue fund, had an unpaid interfund cash advance of \$8,000 to the General Fund. During fiscal year 2009, the Track Maintenance Fund repaid \$3,895. During fiscal year 2012, \$2,386 was repaid. This final outstanding balance of \$1,719 was repaid by June 30, 2014.

Also, the General Fund advanced the Title II-D fund \$1,017 during fiscal year 2012. This advance was due to the timing of grant receipts and was repaid in fiscal year 2013.

**12. INTERFUND TRANSFERS**

During fiscal year 2013, the General Fund transferred \$1,800 to the District Managed Activities Fund in lieu of payment for a supplemental advisor contract.

**13. SET-ASIDE CALCULATIONS**

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

The following cash basis information identifies the changes in the fund balance reserves capital improvements during fiscal year 2014.

	<b>Capital Acquisitions</b>
Set-aside Cash Balance as of June 30, 2014	
Current Year Set-aside Requirement	\$127,084
Qualifying Offsets	(127,084)
Total	\$0

The following cash basis information identifies the changes in the fund balance reserves capital improvements during fiscal year 2013.

	<b>Capital Acquisitions</b>
Set-aside Cash Balance as of June 30, 2012	
Current Year Set-aside Requirement	\$129,801
Qualifying Offsets	(129,801)
Total	\$0

The School District had qualifying disbursements during the fiscal year that reduced the set-aside amount below zero for the capital improvement set-aside. The negative amount can only be carried forward to the extent of proceeds from capital lease, Classroom Facilities Special Revenue Fund receipts, and Capital Improvement Fund property tax receipts.

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013  
(Continued)**

**14. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS**

**A. Jointly Governed Organizations**

**Metropolitan Dayton Educational Cooperative Association** – The School District is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA), which is a computer consortium. MDECA is an association of public school districts within the boundaries of Montgomery, Miami, Greene and Darke Counties and the Cities of Dayton, Troy and Greenville. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The School District paid MDECA \$14,936 and \$22,845 for services provided during fiscal years 2014 and 2013, respectively. Financial information can be obtained from Dean Reineke, who serves as Director, at 225 Linwood Street, Dayton, Ohio 45405.

**Southwestern Ohio Educational Purchasing Council** - The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of 126 school districts in 18 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group.

During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. During fiscal year 2014, the School District paid \$439,421 to the SOEPC. During fiscal year 2013, the School District did not have any contributions to the SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

**Southwestern Ohio Instructional Technology Association** - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-three representatives of SOITA member schools or institutions. Twenty-one representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Brown, Butler, Champaign, Clark, Clermont, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members in the State-assigned SOITA service area representative. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013  
(Continued)**

**14. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS  
(Continued)**

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. During fiscal years 2014 and 2013, the School District did not have any contributions to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Larry Pogue, who serves as Executive Director, at 150 East Sixth Street, Franklin, Ohio 45005

**B. Insurance Purchasing Pools**

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

**Southwestern Ohio Educational Purchasing Council Medical Benefits Plan** – The School District participates in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP). The MBP's business and affairs are conducted by an eleven member committee consisting of various EPC representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each fiscal year, the participating school districts pay an enrollment fee to the MBP to cover the costs of administering the program.

**Ohio School Insurance Plan** – The School District participates in the Ohio School Insurance Plan, an insurance purchasing pool. The School District purchases liability and property insurance coverage from licensed insurance companies doing business in the State of Ohio. The School District purchases general liability coverage from Selective Insurance Company of South Carolina and Schools Leader's Errors and Omissions coverage from National Union Fire Insurance Company of Pittsburgh, PA. Auto Owners Insurance Company provides coverage for liability from the operation of motor vehicles for school business and the physical damage to owned motor vehicles. Coverage relating to buildings and contents belonging to the School District are provided by the Cincinnati Insurance Company.

**15. CONTRACTUAL COMMITMENTS**

At June 30, 2013, the School District had the following outstanding contractual commitments:

Vendor	Outstanding at 6/30/13
Humble Construction Company	\$167,858
CDI Computers	49,996
John Deere Co.	10,905

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013  
(Continued)**

**16. CONTINGENCIES**

**A. Grants**

The School District receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2014.

**B. Litigation**

There are currently no matters in litigation with the School District as defendant.

**17. BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations and changes in fund balance on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balances - Budget and Actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and cash basis is:

- 1) Outstanding year-end encumbrances are treated as cash disbursements (budgetary) rather than as part of restricted, committed or assigned fund balance (cash basis) and
- 2) Perspective differences resulting from differences in fund structure.

<b>Fiscal Year 2014:</b>	
Cash Basis	\$317,744
Encumbrances	(138,422)
Perspective Differences	4,190
Budgetary Basis	\$183,512

<b>Fiscal Year 2013:</b>	
Cash Basis	(\$123,751)
Encumbrances	(152,535)
Perspective Differences	(41)
Budgetary Basis	(\$276,327)

**18. COMPLIANCE**

Ohio Administrative Code, Section 117-2-03 (B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013  
(Continued)**

**19 CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2014, the School District has implemented Governmental Accounting Standard Board (GASB) *Statement No. 70, "Accounting and Financial Reporting for Non-exchange Financial Guarantees."* GASB *Statement No. 70* provides guidance for reporting financial guarantees that are non-exchange transactions extended or received by a state or local government. The implementation of this statement had no effect on the School District.

For fiscal year 2013, the School District has implemented Governmental Accounting Standard Board (GASB) *Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position."* GASB *Statement No. 63* provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the School District's fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

**20. SUBSEQUENT EVENT**

The School District assessed events occurring subsequent to June 30, 2014, to July 21, 2014, for potential recognition and disclosure in the financial statements. No events were identified that would require adjustment to or disclosure in the financial statements.

**This page intentionally left blank.**



# Dave Yost • Auditor of State

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

Franklin Monroe Local School District  
Darke County  
8591 Oakes Road  
P.O. Box 78  
Pitsburg, Ohio 45358

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Franklin Monroe Local School District, Darke County, (the School District) as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated August 28, 2014, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles.

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

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

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

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

***Compliance and Other Matters***

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2014-001.

***Entity's Response to Findings***

The School District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the School District's response and, accordingly, we express no opinion on it.

***Purpose of this Report***

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



**Dave Yost**  
Auditor of State

Columbus, Ohio

August 28, 2014



FRANKLIN MONROE LOCAL SCHOOL DISTRICT  
DARKE COUNTY

SCHEDULE OF FINDINGS  
JUNE 30, 2014 AND 2013

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

FINDING NUMBER 2014-001

**Noncompliance**

**Ohio Rev. Code Section 117.38** provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

**Ohio Admin. Code Section 117-2-03(B)** requires the school district to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP).

The School District prepared its financial statements in accordance with the cash accounting basis. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

To help provide the users with more meaningful financial statements, the School District should prepare their annual financial statements in accordance with generally accepted accounting principles.

**Official's Response:** Due to the cost of a GAAP conversion, along with the cost associated with auditing the GAAP financial report, the Franklin Monroe Local Board of Education has chosen to prepare their financial statements using another comprehensive basis of accounting (OCBOA).

**FRANKLIN MONROE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2012-001	<b>ORC 117.38 and OAC 117-2-03(B)</b> – Failure to prepare financial statements in accordance with GAAP	No	Not Corrected; repeat as Finding 2014-001



# Dave Yost • Auditor of State

## Independent Accountants' Report on Applying Agreed-Upon Procedures

Franklin Monroe Local School District  
Darke County  
8591 Oakes Road  
P.O. Box 78  
Pitsburg, Ohio 45358

To the Board of Education:

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

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

1. In our report dated March 13, 2013, we noted the Board adopted an anti-harassment policy on November 19, 2007. However, this policy did not include all matters required by Ohio Rev. Code 3313.666.
2. The Board amended the policy on September 17, 2012. We read the amended policy, noting it now includes all the requirements listed in Ohio Rev. Code 3313.666.

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

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

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

**Dave Yost**  
Auditor of State

August 28, 2014

One First National Plaza, 130 W. Second St., Suite 2040, Dayton, Ohio 45402  
Phone: 937-285-6677 or 800-443-9274 Fax: 937-285-6688  
[www.ohioauditor.gov](http://www.ohioauditor.gov)

**This page intentionally left blank.**



# Dave Yost • Auditor of State

**FRANKLIN-MONROE LOCAL SCHOOL DISTRICT**

**DARKE 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  
SEPTEMBER 30, 2014**