

**REPORT OF THE AUDIT OF THE
FRANKLIN COUNTY
SCHOOL DISTRICT**

**For The Fiscal Year Ended
June 30, 2015**

ROSS & COMPANY, PLLC
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Members of the Board
Franklin County School District
Frankfort, Kentucky

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Franklin County School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Franklin County School District 's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Franklin County School District 's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*, including *Appendix I—Audit Extension Request and Appendix II—Instructions for Submissions of the Audit Report*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

INDEPENDENT AUDITOR'S REPORT
FRANKLIN COUNTY SCHOOL DISTRICT
JUNE 30, 2015

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and net pension schedules on pages 4-7, 39-40 and 41-44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Franklin County School District's basic primary government financial statements. The combining and individual non-major fund financial statements, and the statement of receipts, disbursements and fund balance- High School Activity Fund are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*, and is also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements, and the statement of receipts, disbursements and fund balance- High School Activity Fund and the schedule of expenditures of federal awards are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements, and the statement of receipts, disbursements and fund balance- High School Activity Fund and the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2015 on our consideration of Franklin County School District 's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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 Franklin County School District 's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in cursive script that reads "Ross and Company".

Ross and Company, PLLC
October 29, 2015

Franklin County School District
Frankfort, Kentucky
Management's Discussion and Analysis (MD & A)
Year Ended June 2015

As management of the Franklin County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the financial statements.

FINANCIAL HIGHLIGHTS

- During the 2014-2015 Fiscal Year the District issued One Bond Issue. The issue is the SERIES 2015, School Building Refunding Revenue Bonds. The Principal amounts of these bonds is \$3,430,000. The Bond series consists of interest Yields ranging from 1.00% to 3.00%. The issue refinanced the District's outstanding Series 2010 Build America Bond Issue and resulted in gross savings of \$171,084.08 over the life of the issue.
- The General Fund had \$50,689,174 in revenue, which consisted primarily of State Program revenues (SEEK and on-behalf payments), property taxes, utility taxes, and motor vehicle taxes. There were \$47,837,771 in general fund expenditures and \$133,645 in inter-fund transfers.
- The District continues to participate in the Kentucky Inter-Local School Transportation Association (KISTA) equipment lease revenue bonds program for the purpose of acquiring replacement buses. The District acquired 10 buses under this program during the 2014-2015 fiscal year. The Principal cost of these buses was \$1,135,767. The interest yields on the bonds range from 1.0% to 2.62% with the final maturity being March 01, 2025.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-wide financial statements. The district-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as Net Position. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the District's Net Position changed during the most recent fiscal year. All changes in Net Position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The district-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt are also supported by taxes and

intergovernmental revenues. The district-wide financial statements can be found on pages 8 and 9 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our vending and food service operations. All other activities of the district are included in the governmental funds. The basic governmental fund financial statements can be found on pages 11 and 13 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 19-38 of this report.

DISTRICT-WIDE FINANCIAL ANALYSIS

Net Position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$24 million as of June 30, 2015.

The largest portion of the District's Net Position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Position for the period ending June 30, 2014 (restated) and June 30, 2015		
	2014	2015
Current Assets	\$ 10,013,053	\$ 13,245,042
Non-current Assets	86,814,797	84,389,307
Total Assets	\$ 96,827,850	\$ 97,634,349
Deferred Outflow	3,038,600	2,952,382
Total Assets & Deferred Outflow	\$ 99,866,450	\$ 100,586,731
Current Liabilities	\$ 7,652,590	\$ 7,151,877
Non-current Liabilities	72,293,728	68,000,706
Total Liabilities	\$ 79,946,318	\$ 75,152,583
Deferred Inflows	-	1,343,420
Total Liabilities & Deferred Inflows	\$ 79,946,318	\$ 76,496,003
Total Net Position	\$ 19,920,132	\$ 24,090,728

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FRANKLIN COUNTY SCHOOL DISTRICT
JUNE 30, 2015

The following table presents a District wide comparison of changes in Net Position and summary of revenues and expenses for the fiscal years ended June 30, 2014 and June 30, 2015.

	2014	2015
Revenues:		
<i>Program Revenues</i>		
Fees for services	\$ 2,384,716	\$ 2,266,684
Federal/state grants	8,970,193	9,401,529
<i>General Revenues</i>		
Property taxes	17,850,130	18,761,476
Motor Vehicle Tax	1,639,310	1,673,346
Utility taxes	3,092,914	3,006,631
Interest earnings	7,172	6,250
State grants	28,559,647	34,721,871
Other	1,042,312	1,147,988
Total revenues	<u>63,546,394</u>	<u>70,985,775</u>
Expenses:		
Instruction	\$ 31,725,394	38,383,536
Student support services	2,779,518	2,949,003
Instructional support	3,167,670	3,281,603
District administration	1,081,759	1,142,691
School administration	3,783,869	4,240,760
Business support	748,755	805,082
Plant operation	1,940,376	4,819,516
Student transportation	3,778,377	4,041,500
Community service	584,984	163,236
Facility Acquisition & Const.	5,104,641	579,777
Debt service - interest	1,987,497	1,826,760
Food service	2,969,029	2,929,595
After school program	1,461,577	1,428,709
Other	250,598	252,313
Total expenditures	<u>61,364,044</u>	<u>66,844,081</u>
Change in Net Position	<u>\$ 2,182,350</u>	<u>\$ 4,141,694</u>

On-behalf payment amounts are included in the above figures. On-behalf payments, as defined by KDE, are payments the state makes on behalf of employees to the various agencies for health and life insurance, retirement benefits, debt service, and administration fees.

General Fund Budgetary Highlights

- The District's total general fund revenues for the fiscal year ended June 30, 2015, excluding the inter-fund transfers and on behalf payments were \$41,168,425.
- The total cost of all general fund programs and services excluding the inter-fund transfers and on behalf payments was \$38,151,432.
- General fund budget compared to actual revenue varied slightly from line item to line item with the ending actual revenues being \$2,105,009 more than budgeted by 3.91% favorable percentage points.
- General fund budget expenditures to actual varied from line item to line item with the ending actual expenditures being \$6,062,608 less than budget by 11.25% favorable percentage points.

Future Budgetary Implications

The minimum reserve or Contingency required is 2% of the total Working Budget (\$1,151,766). KDE encourages local districts to consider inclusion of a 5% budgeted reserve. A 5% reserve of Franklin County's 2014-15 total Working Budget is \$2,879,416.

The unrestricted (unallocated) budget reserve (Contingency) is necessary for maintaining adequate cash flow during the year, providing for unanticipated emergency expenditures, and to provide a buffer from immediate program cuts in the event of any reduction in anticipated receipts. A restricted (allocated) budget reserve is for specific needs such as litigation, or other special needs the board may wish to designate. The unrestricted reserve of \$5,308,576 is approximately 9.2% of the total 2014-15 Working Budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the 2015 fiscal year, the District has invested \$123,806,933 in a broad range of capital assets, including equipment, buses, buildings, and land. Depreciation expense for the year was \$3,851,910.

	District Capital Assets (net of Depreciation)		
	Governmental Activities	Business-Type Activities	Total
Land	\$ 1,540,247	\$ -	\$ 1,540,247
Land Improvements	1,009,020	-	1,009,020
Buildings & Improvements	78,162,061	-	78,162,061
Equipment	606,843	415,044	1,021,887
Vehicles	2,656,092	-	2,656,092
	<u>\$ 83,974,263</u>	<u>\$ 415,044</u>	<u>\$ 84,389,307</u>

Long-Term Debt

The District had \$59,738,170 in bonds/leases outstanding at year-end. The District retired \$7,179,873 of bonded debt during fiscal year 2015.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers and other interested readers with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact the District's Superintendent or Finance Director.

FRANKLIN COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
DISTRICT WIDE

As of June 30, 2015

ASSETS	Governmental Activities	Business-type Activities	Total
Current Assets			
Cash and cash equivalents	\$ 7,088,460	\$ 940,829	\$ 8,029,289
Investments	4,000,000	-	4,000,000
Other receivables	1,064,857	64,265	1,129,122
Inventory	-	86,631	86,631
Total current assets	12,153,317	1,091,725	13,245,042
Non-current Assets			
Land	1,541,737	-	1,541,737
Land Improvements	3,469,577	-	3,469,577
Buildings and improvements	114,103,754	-	114,103,754
Furniture and equipment	12,907,033	1,664,507	14,571,540
Less: Accumulated depreciation	(48,047,838)	(1,249,463)	(49,297,301)
Total non-current assets	83,974,263	415,044	84,389,307
Total assets	96,127,580	1,506,769	97,634,349
Deferred outflow			
Bonding Refunding	1,351,500	-	1,351,500
Pension Outflows	1,600,882	-	1,600,882
Total outflows	2,952,382	-	2,952,382
Total assets and deferred outflow	\$ 99,079,962	\$ 1,506,769	\$ 100,586,731
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 451,205	\$ 20,498	\$ 471,703
Deferred revenue	646,241	35,782	682,023
Interest payable	1,826,760	-	1,826,760
Current portion of long-term obligations	3,545,000	-	3,545,000
Current portion of capital lease obligations	403,087	-	403,087
Current portion of sick-leave	205,151	-	205,151
Other current liabilities	18,153	-	18,153
Total current liabilities	7,095,597	56,280	7,151,877
Non-current Liabilities			
Non-current portion of long-term obligation	53,860,000	-	53,860,000
Non-current portion of capital lease obligation	1,930,083	-	1,930,083
Non-current portion of accrued sick leave	175,419	-	175,419
Net pension liability (CERS)	12,035,204	-	12,035,204
Total non-current liabilities	68,000,706	-	68,000,706
Total liabilities	75,096,303	56,280	75,152,583
Deferred inflows			
Pension inflows	1,343,420	-	1,343,420
Total inflows	1,343,420	-	1,343,420
Total liabilities & inflows	\$ 76,439,723	\$ 56,280	\$ 76,496,003
NET POSITION			
Invested in capital assets, net of related debt	24,236,093	415,044	24,651,137
Restricted for:			
Capital projects	2,870,101	-	2,870,101
New Assets	-	948,814	948,814
Other	432,670	-	432,670
Unrestricted	(4,898,625)	86,631	(4,811,994)
Total net position	22,640,239	1,450,489	24,090,728
Total liabilities and net position	\$ 99,079,962	\$ 1,506,769	\$ 100,586,731

See accompanying notes to financial statements.

FRANKLIN COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
DISTRICT WIDE

For the year ended June 30, 2015

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
Instruction	\$ 38,383,536	\$ 40,332	\$ 3,600,117	\$ -	\$ (34,743,087)	\$ -	\$ (34,743,087)
Support services:							
Student	2,949,003	-	635,157	-	(2,313,846)	-	(2,313,846)
Instruction staff	3,281,603	-	826,981	-	(2,454,622)	-	(2,454,622)
District administrative	1,142,691	-	-	-	(1,142,691)	-	(1,142,691)
School administrative	4,240,760	-	-	-	(4,240,760)	-	(4,240,760)
Business	805,082	-	12,340	-	(792,742)	-	(792,742)
Plant operation and maintenance	4,819,516	-	7,397	-	(4,812,119)	-	(4,812,119)
Student transportation	4,041,500	-	4,028	-	(4,037,472)	-	(4,037,472)
Facilities acquisition and construction	163,236	-	466,068	1,456,185	1,759,017	-	1,759,017
Community service activities	579,777	-	-	-	(579,777)	-	(579,777)
Other	252,313	-	-	-	(252,313)	-	(252,313)
Interest on long-term debt	1,826,760	-	-	-	(1,826,760)	-	(1,826,760)
Total governmental activities	<u>62,485,777</u>	<u>40,332</u>	<u>5,552,088</u>	<u>1,456,185</u>	<u>(55,437,172)</u>	<u>-</u>	<u>(55,437,172)</u>
Business-type Activities							
Food service	2,929,595	669,563	2,216,718	-	-	(43,314)	(43,314)
After School Program	1,428,709	1,556,789	176,538	-	-	304,618	304,618
Total business-type activities	<u>4,358,304</u>	<u>2,226,352</u>	<u>2,393,256</u>	<u>-</u>	<u>-</u>	<u>261,304</u>	<u>261,304</u>
Total school district	<u>\$ 66,844,081</u>	<u>\$ 2,266,684</u>	<u>\$ 7,945,344</u>	<u>\$ 1,456,185</u>	<u>\$ (55,437,172)</u>	<u>\$ 261,304</u>	<u>\$ (55,175,868)</u>
			General Revenues				
			Property taxes		\$ 18,323,913	\$ -	\$ 18,323,913
			Delinquent property tax		437,563	-	437,563
			Motor vehicle taxes		1,673,346	-	1,673,346
			Utility taxes		3,006,631	-	3,006,631
			Other taxes		989,822	-	989,822
			Investment earnings		5,700	550	6,250
			State aid formula grants		34,721,871	-	34,721,871
			Gain (Loss) on sale of fixed assets		23,286	-	23,286
			Miscellaneous		134,880	-	134,880
			Transfers		210,950	(210,950)	-
			Total general revenues		<u>59,527,962</u>	<u>(210,400)</u>	<u>59,317,562</u>
			Change in net position		4,090,790	50,904	4,141,694
			Net position - beginning		30,559,940	1,399,585	31,959,525
			Prior Period Adjustment		(12,010,491)	-	(12,010,491)
			Net position - ending		<u>\$ 22,640,239</u>	<u>\$ 1,450,489</u>	<u>\$ 24,090,728</u>

See accompanying notes to financial statements.

FRANKLIN COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS

As of June 30, 2015

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Construction Fund</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
ASSETS					
Cash and cash equivalents	\$ 4,187,610	\$ 30,749	\$ 2,074,265	\$ 795,836	\$ 7,088,460
Investments	4,000,000	-	-	-	4,000,000
Other receivables	418,064	646,793	-	-	1,064,857
Total assets	<u>\$ 8,605,674</u>	<u>\$ 677,542</u>	<u>\$ 2,074,265</u>	<u>\$ 795,836</u>	<u>\$ 12,153,317</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 419,904	\$ 31,301	\$ -	\$ -	\$ 451,205
Deferred revenue	-	646,241	-	-	646,241
Other current liabilities	18,153	-	-	-	18,153
Total liabilities	<u>438,057</u>	<u>677,542</u>	<u>-</u>	<u>-</u>	<u>1,115,599</u>
Fund Balances					
Restricted:					
Sick Leave Payable	205,151	-	-	-	205,151
Future Construction	-	-	2,074,265	-	2,074,265
SFCC Escrow	-	-	-	795,836	795,836
Committed:					
Site Base CFWD	227,519	-	-	-	227,519
Unassigned:	7,734,947	-	-	-	7,734,947
Total fund balances	<u>8,167,617</u>	<u>-</u>	<u>2,074,265</u>	<u>795,836</u>	<u>11,037,718</u>
Total liabilities and fund balances	<u>\$ 8,605,674</u>	<u>\$ 677,542</u>	<u>\$ 2,074,265</u>	<u>\$ 795,836</u>	<u>\$ 12,153,317</u>

See accompanying notes to financial statements.

FRANKLIN COUNTY SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS -
BALANCE SHEET TO THE STATEMENT OF NET POSITION

June 30, 2015

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

Total Fund Balance-Governmental Funds		\$ 11,037,718
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental:		
Cost of capital	\$ 132,022,101	
Accumulated depreciation	(48,047,838)	
Deferred outflow	<u>2,952,382</u>	86,926,645
Long-term liabilities including bonds payable are not due and payable in the current period and therefore are not reported as liabilities in the funds:		
Bonds payable	(57,405,000)	
Capital lease payable	(2,333,170)	
Interest payable	(1,826,760)	
Sick leave	(380,570)	
CERS pension Liability	(12,035,204)	
Deferred inflows	<u>(1,343,420)</u>	<u>(75,324,124)</u>
Total Net Position-Governmental Funds		<u><u>\$ 22,640,239</u></u>

See accompanying notes to financial statements.

FRANKLIN COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the year ended June 30, 2015

Revenues	<u>General Fund</u>	<u>Special Revenue</u>	<u>Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
From local sources					
Property taxes	\$ 15,448,070	\$ -	\$ -	\$ 3,313,406	\$ 18,761,476
Motor vehicle taxes	1,673,346	-	-	-	1,673,346
Utility taxes	3,006,631	-	-	-	3,006,631
Other taxes	989,822	-	-	-	989,822
Earnings on investments	5,700	-	-	-	5,700
Other local revenues	175,212	170,594	-	-	345,806
State sources					
SEEK	19,591,739	-	-	1,456,185	21,047,924
On Behalf Payments	9,552,694	-	-	1,232,300	10,784,994
Other	164,919	2,253,328	-	-	2,418,247
Federal - indirect	81,041	3,128,166	-	-	3,209,207
Total revenues	<u>50,689,174</u>	<u>5,552,088</u>	<u>-</u>	<u>6,001,891</u>	<u>62,243,153</u>
Expenditures					
Instruction	28,463,520	3,733,762	-	-	32,197,282
Support services					
Student	2,100,678	635,157	-	-	2,735,835
Instruction staff	2,049,071	826,981	-	-	2,876,052
District administration	1,096,134	-	-	-	1,096,134
School administration	3,934,519	-	-	-	3,934,519
Business	791,000	12,340	-	-	803,340
Plant operation and maintenance	4,819,740	7,397	-	64,338	4,891,475
Student transportation	3,648,396	4,028	-	-	3,652,424
Facilities acquisition and construction	-	-	163,236	-	163,236
Community service activities	110,942	466,068	-	-	577,010
Debt service	690,126	-	-	5,115,825	5,805,951
Total expenditures	<u>47,704,126</u>	<u>5,685,733</u>	<u>163,236</u>	<u>5,180,163</u>	<u>58,733,258</u>
Excess (deficit) of revenues over expenditures	<u>2,985,048</u>	<u>(133,645)</u>	<u>(163,236)</u>	<u>821,728</u>	<u>3,509,895</u>
Other Financing Sources (Uses)					
Other financing sources- Not transfers	31,945	-	-	-	31,945
Operating transfers in	210,950	133,645	1,239,044	3,958,097	5,541,736
Operating transfers out	(133,645)	-	(74,572)	(5,122,569)	(5,330,786)
Total other financing sources (uses)	<u>109,250</u>	<u>133,645</u>	<u>1,164,472</u>	<u>(1,164,472)</u>	<u>242,895</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>3,094,298</u>	<u>-</u>	<u>1,001,236</u>	<u>(342,744)</u>	<u>3,752,790</u>
Net change in fund balances	<u>3,094,298</u>	<u>-</u>	<u>1,001,236</u>	<u>(342,744)</u>	<u>3,752,790</u>
Fund balance, July 1, 2014	<u>5,073,319</u>	<u>-</u>	<u>1,073,029</u>	<u>1,138,580</u>	<u>7,284,928</u>
Fund balance, June 30, 2015	<u>\$ 8,167,617</u>	<u>\$ -</u>	<u>\$ 2,074,265</u>	<u>\$ 795,836</u>	<u>\$ 11,037,718</u>

See accompanying notes to financial statements.

FRANKLIN COUNTY PUBLIC SCHOOLS DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES

For the year ended June 30, 2015

Total net change in fund balances- governmental funds \$ 3,752,790

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

Governmental funds report capital outlays as expenditures because they use current financial resources. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the period. (3,533,195)

In the statement of activities, only the gain on the sale of asset is reported, whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus, the change in net position differ from the change in fund balances by the basis of the asset sold. (8,659)

Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position however issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. This is the amount by which bond proceeds exceed principal payments. 3,844,873

In the statement of activities, certain operating expenses such as compensated absences (sick leave), are measured by the amount earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year special termination benefits paid exceed the amounts earned. (79,773)

Interest on long-term debt in the statement of activities differs from the amount reported in governmental funds because interest is recorded as an expenditure in the fund when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is the net result of accrued interest on bonds. (117,995)

Governmental funds report pension expense in the year paid. However due to measurement date, payments made are reported as deferred outflows in the Statement of Activities. This is the amount by which deferred outflows exceeds pension expense in the period. 232,749

Change in Net Position - Governmental Funds \$ 4,090,790

See accompanying notes to financial statements.

FRANKLIN COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS

As of June 30, 2015

ASSETS	<u>Food Service Fund</u>	<u>After School Programs</u>	<u>Total</u>
Current Assets			
Cash and cash equivalents	\$ 539,591	\$ 401,238	\$ 940,829
Other receivables	46,941	17,324	64,265
Inventory	86,631	-	86,631
Total current assets	<u>673,163</u>	<u>418,562</u>	<u>1,091,725</u>
Noncurrent Assets			
Furniture and equipment	1,664,507	-	1,664,507
Less: Accumulated depreciation	(1,249,463)	-	(1,249,463)
Total noncurrent assets	<u>415,044</u>	<u>-</u>	<u>415,044</u>
Total assets	<u>\$ 1,088,207</u>	<u>\$ 418,562</u>	<u>\$ 1,506,769</u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 6,198	\$ 14,300	\$ 20,498
Deferred Revenue	35,782	-	35,782
Total current liabilities	<u>41,980</u>	<u>14,300</u>	<u>56,280</u>
Total liabilities	<u>41,980</u>	<u>14,300</u>	<u>56,280</u>
NET POSITION			
Invested in capital assets, net of related debt	415,044	-	415,044
Restricted for:			
Net Position	544,552	404,262	948,814
Inventory	86,631	-	86,631
Total net position	<u>1,046,227</u>	<u>404,262</u>	<u>1,450,489</u>
Total liabilities and net position	<u>\$ 1,088,207</u>	<u>\$ 418,562</u>	<u>\$ 1,506,769</u>

See accompanying notes to financial statements.

FRANKLIN COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

For the year ended June 30, 2015

	Food Service Fund	After School Programs	Total
Operating Revenues			
Service sales	\$ 665,563	\$ 1,556,789	\$ 2,222,352
Other operating revenue	4,000	-	4,000
Total operating revenues	<u>669,563</u>	<u>1,556,789</u>	<u>2,226,352</u>
Operating Expenses			
Salaries and wages	1,538,122	1,193,517	2,731,639
Professional and contract services	24,478	85,781	110,259
Supplies and materials	1,221,971	118,537	1,340,508
Depreciation	67,632	-	67,632
Other operating expenses	77,392	30,874	108,266
Total operating expenses	<u>2,929,595</u>	<u>1,428,709</u>	<u>4,358,304</u>
Operating income (loss)	<u>(2,260,032)</u>	<u>128,080</u>	<u>(2,131,952)</u>
Non-operating revenues (expenses)			
Federal grants	1,983,328	-	1,983,328
State grants	233,390	176,538	409,928
Interest income	550	-	550
Total non-operating revenues (expenses)	<u>2,217,268</u>	<u>176,538</u>	<u>2,393,806</u>
Other Financing Sources (Uses)			
Operating transfers out	-	(210,950)	(210,950)
Total other financing sources (uses)		<u>(210,950)</u>	<u>(210,950)</u>
Change in Net Position	(42,764)	93,668	50,904
Total net position, July 1, 2014	<u>1,088,991</u>	<u>310,594</u>	<u>1,399,585</u>
Total net position, June 30, 2015	<u>\$ 1,046,227</u>	<u>\$ 404,262</u>	<u>\$ 1,450,489</u>

See accompanying notes to financial statements.

FRANKLIN COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the year ended June 30, 2015

	Food Service Fund	After School Program	Total
Cash Flows from Operating Activities			
Cash received from service sales	\$ 685,763	\$ 1,551,317	\$ 2,237,080
Cash received from other activities	4,000	-	4,000
Cash payments to employees for services	(1,538,122)	(1,193,517)	(2,731,639)
Cash payments to suppliers for goods and services	(1,242,626)	(196,514)	(1,439,140)
Cash payments for other operating activities	(77,392)	(30,874)	(108,266)
Net cash from operating activities	<u>(2,168,377)</u>	<u>130,412</u>	<u>(2,037,965)</u>
Cash Flows from Capital Financing Activities			
Acquisition of capital assets	(49,326)	-	(49,326)
Net cash from capital financing activities	<u>(49,326)</u>	<u>-</u>	<u>(49,326)</u>
Cash Flows from Noncapital Financing Activities			
Non-operating grants received	2,216,718	176,538	2,393,256
Transfers	-	(210,950)	(210,950)
Net cash from noncapital financing activities	<u>2,216,718</u>	<u>(34,412)</u>	<u>2,182,306</u>
Cash Flows from Investing Activities			
Interest on investments	550	-	550
Net cash flows from investing activities	<u>550</u>	<u>-</u>	<u>550</u>
Net increase in cash and cash equivalents	(435)	96,000	95,565
Cash and cash equivalents - beginning	540,026	305,238	845,264
Cash and cash equivalents - ending	<u>\$ 539,591</u>	<u>\$ 401,238</u>	<u>\$ 940,829</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ (2,260,032)	\$ 128,080	\$ (2,131,952)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Depreciation	67,632	-	67,632
Changes in assets and liabilities:			
Receivables	16,512	(5,472)	11,040
Inventory	2,482	-	2,482
Deferred Revenue	3,688	-	3,688
Accounts payable	1,341	7,804	9,145
Net Cash Provided by Operating Activities	<u>\$ (2,168,377)</u>	<u>\$ 130,412</u>	<u>\$ (2,037,965)</u>
Schedule of Non-Cash Activities			
Donated Commodities	\$ 156,551	\$ -	
On Behalf Payments	205,153	176,538	

See accompanying notes to financial statements.

FRANKLIN COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS

June 30, 2015

ASSETS	<u>Student Activity Funds</u>
Current Assets	
Due from other funds	<u>\$ 711,737</u>
Total assets	<u><u>\$ 711,737</u></u>
LIABILITIES	
Current Liabilities	
Due to school groups	<u>\$ 711,737</u>
Total net position and liabilities	<u><u>\$ 711,737</u></u>

See accompanying notes to financial statements.

FRANKLIN COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE- FIDUCIARY FUNDS

For the year ended June 30, 2015

	Student Activity Funds
Additions	
Revenues from student activities	\$ 1,524,791
Deduction	
Non-instructional expenses	(1,541,161)
Change in revenues over expenses	(16,370)
Due to school groups - beginning (restated)	728,107
Due to school groups - ending	\$ 711,737

See accompanying notes to financial statements.

FRANKLIN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

For the fiscal year ending June 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Franklin County School District (District) is the basic level of government, which has financial accountability and control over all activities related to the public school education within the jurisdiction of the Franklin County School District. The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. Board members are elected by the public and have decision-making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and have primary financial accountability for fiscal matters. The District is not included in any other governmental "reporting entity" as defined by GASB pronouncements. In accordance with GASB Standard 14, financial transactions of the following component unit are incorporated in the accompanying financial statements.

Franklin County School District Finance Corporation – The Franklin County School District resolved to authorize the establishment of the Franklin County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the District for financing the costs of school building facilities. The board members of the Franklin County School District also comprise the Corporation's Board of Directors.

Basis of Presentation

District-wide Financial Statements:

The statement of Net Position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The District-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segments or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. 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 fund type.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting:

The accounts of the District are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues and expenditures or expenses as appropriate. The various funds are summarized by type in the financial statements. The District uses the following funds:

Governmental Fund Types:

General Fund - The General Fund is the primary operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of grants from local, state and federal revenue sources that are legally restricted to expenditures for specified purposes. Project accounting is employed to maintain integrity for the various sources of funds. Federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report.

Construction Fund – The Construction Fund is used to account for all resources including proceeds from bond sales for the authorized acquisition and construction of capital facilities.

Capital Outlay Fund - The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives \$100 per the District's adjusted average daily attendance restricted for use in financing projects as identified in the District's facility plan.

Building Fund - The Facility Support Program of Kentucky Fund (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, as applicable. Funds may be used for projects identified in the District's facility plan.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on general obligation notes payable, as required by Kentucky Law.

Proprietary Fund Type

Food Service - The Food Service Fund is used to account for school food service activities, including the National School Lunch Program and the National School Breakfast Program, which are conducted in cooperation with the U.S. Department of Agriculture (USDA). No amounts have been recorded for in-kind contribution of USDA commodities on the financial statements, except as required by the Single Audit Act as presented on the Schedule of Expenditures of Federal Awards. The aggregations of non-major funds are After School Program Fund.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary Fund Type

The School Activity Funds are fiduciary funds used to account for student activity organizations in accordance with the Accounting Procedures for Kentucky School Activity Funds. Financial statements of groups and organizations associated with the school system but not originated within the District (e.g., Band Boosters, Parent-Teacher Associations, etc.) are not included within school activity funds.

Measurement Focus

The accounting and reporting treatment applied to a fund is determined by its measurement focus. The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds include a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds that are presented in the fund financial statements use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting.

Exchange and Non-exchange transactions – There are two types of transactions: exchange and non-exchange. The method of determining revenue recognition (i.e., accrual v. modified accrual) depends upon the type of exchange as well as source of revenue. Exchange transactions occur when each party receives essentially equal value. Non-exchange transactions occur when one party receives value without directly giving equal value in return.

Modified Accrual - Revenue from non-exchange transactions (e.g., grants, entitlements and donations) must be available to be recognized. These sources of revenue are recognized in the fiscal year in which all eligibility requirements have been satisfied. Under the modified accrual basis of accounting, revenues from exchange transactions are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For the District, “available” means within sixty days of June 30. Property tax revenue is recognized in the fiscal year for which the taxes are levied. Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. Under the modified basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Accrual - Under the accrual basis of accounting, revenues are recorded when an exchange takes place. Expenses are recognized at the time they are incurred.

Encumbrance Accounting

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Kentucky Law, appropriations lapse at fiscal year end. Encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the proprietary fund type considers highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

Inventories

On the government-wide financial statements inventories are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as expenditures in the governmental fund types when purchased.

The food service fund uses the specific identification method and the general fund uses the first-in, first-out method.

Budget

The District is required by state law to adopt a budget annually. The budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP). Once the District approves the budget, it can be amended. Budget appropriations lapse at year-end.

Fund Balances

The School Board has implemented GASB Statement 54 employing new terminology and classifications for fund balance items.

Non-spendable Fund Balance includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable. At June 30, 2015, the District did not have non-spendable fund balances.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances (Continued)

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2015 the District had \$332,594 restricted in the Building Fund and \$463,242 restricted in the Capital Outlay Fund as SFCC Escrow. The District restricted \$205,151 for Sick Leave, along with \$2,074,265 in the Construction Fund for future construction.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District had committed \$227,519 for Site Based CWFD in the General Fund as of June 30, 2015.

Assigned fund balances are those amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrances of funds. Assigned fund balances also include (a) all remaining amounts (except for negative amounts balances) that are reported in governmental funds, other than the general fund, that are not classified as non-spendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for specific purposes.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The District considers unrestricted amounts to have been spent when an expenditure is incurred for a purpose in which both restricted and unrestricted fund balances are available. Also, the District has established the order of assigned, committed, and restricted funds when an expenditure is incurred for purposes in which amounts in any of those unrestricted fund balance classifications could be used.

Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles, (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System Non-Hazardous (“CERS”) and Teachers Retirement System of the State of Kentucky (“KTRS”) and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the pensions. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2. SAFEGUARDING CASH AND CASH EQUIVALENTS

The District's cash and cash equivalents consist of amounts deposited in interest bearing accounts. The depository bank deposits for safekeeping and trust with the District's third party agent approved pledged securities to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

At June 30, 2015, the carrying amount of the District's combined deposits (cash and cash equivalents) excluding school activity funds was \$10,776,442 and the combined bank balances totaled \$11,480,499 along with \$4,000,000 in investments. The bank balances were covered by the combination of FDIC insurance and collateral held by the District's agent in the District's name at June 30, 2015.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the county's deposits may not be returned. The District does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). All deposits meet current guidelines.

The cash deposits held at financial institutions can be categorized according to three levels of risk. These three levels of risk are as follows:

- Category 1 Deposits that are insured or collateralized with securities held by the District or by its agent in the District's name.
- Category 2 Deposits that are collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.
- Category 3 Deposits which are not collateralized or insured.

Based on these three levels of risk, all of the District's cash deposits are classified as Category 2.

Statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. agencies, municipal securities and repurchase agreements. The investment pool and repurchase agreements are considered nonparticipating contracts. The District has a repurchase agreement whereby daily bank deposits sweep to an interest bearing overnight account. Such agreements can be categorized according to three levels of risk. These three levels or risk are:

NOTE 2. SAFEGUARDING CASH AND CASH EQUIVALENTS (CONTINUED)

Category 1 Investments that are insured or collateralized with securities held by the District or by its agent in the District's name.

Category 2 Investments that are collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3 Uninsured and unregistered investments held by the counter party, its trust or its agent, but not in the District's name.

The District's investment in repurchase agreements is classified by risk level as Category 2.

NOTE 3. PROPERTY TAXES

Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2015, to finance the General Fund operations were \$.653 per \$100 valuation for real property, \$.653 per \$100 valuation for business personal property and \$.51 per \$100 valuation for motor vehicles.

NOTE 4. RETIREMENT PLANS

The District's employees are provided with two pension plans, based on each position's college degree requirement. The County Employees Retirement System covers employees whose position does not require a college degree or teaching certification. The Kentucky Teachers Retirement System covers positions requiring teaching certification or otherwise requiring a college degree.

General information about the County Employees Retirement System Non-Hazardous ("CERS")

Plan description—Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

NOTE 4. RETIREMENT PLANS (CONTINUED)

Benefits provided—CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years’ service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date Unreduced retirement Reduced retirement	Before September 1, 2008 27 years service or 65 years old At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date Unreduced retirement Reduced retirement	September 1, 2008 - December 31, 2013 At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87 At least 10 years service and 60 years old
Tier 3	Participation date Unreduced retirement Reduced retirement	After December 31, 2013 At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87 Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years’ service and hire date multiplied by the average of the highest five years’ earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years’ service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent’s beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent’s monthly final rate of pay and any dependent child will receive 10% of the decedent’s monthly final rate of pay up to 40% for all dependent children. Five years’ service is required for nonservice-related disability benefits.

	<u>Required contributions</u>
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

General information about the Teachers’ Retirement System of the State of Kentucky (“KTRS”)

Plan description—Teaching certified employees of the District and other employees whose positions require at least a college degree are provided pensions through the Teachers’ Retirement System of the State of Kentucky (KTRS)—a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. KTRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth’s financial statements. KTRS issues a publicly available financial report that can be obtained at http://www.ktrs.ky.gov/05_publications/index.htm.

NOTE 4. RETIREMENT PLANS (CONTINUED)

Benefits provided—For employees who have established an account in a retirement system administered by the Commonwealth prior to July 1, 2008, employees become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, employees must either:

- 1.) Attain age fifty-five (55) and complete five (5) years of Kentucky service, or
- 2.) Complete 27 years of Kentucky service.

Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

Final average salary is defined as the member's five (5) highest annual salaries for those with less than 27 years of service. Employees at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. KTRS also provides disability benefits for vested employees at the rate of sixty (60) percent of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing employees and \$5,000 for retired or disabled employees.

Cost of living increases are one and one-half (1.5) percent annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

Contributions—Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university employees are required to contribute 12.105% of their salaries to the System. University employees are required to contribute 9.895% of their salaries. KRS 161.580 allows each university to reduce the contribution of its employees by 2.215%; therefore, university employees contribute 7.68% of their salary to KTRS.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions at the rate of 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district and regional cooperative employees whose salaries are federally funded, the employer contributes 15.355% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

NOTE 4. RETIREMENT PLANS (CONTINUED)

Medical Insurance Plan

Plan description—In addition to the pension benefits described above, KRS 161.675 requires KTRS to provide post-employment healthcare benefits to eligible employees and dependents. The KTRS Medical Insurance Fund is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to employees under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired employees and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

Funding policy—In order to fund the post-retirement healthcare benefit, six percent (6%) of the gross annual payroll of employees before July 1, 2008 is contributed. Three percent (3%) is paid by member contributions and three quarters percent (.75%) from Commonwealth appropriation and two and one quarter percent (2.25%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

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

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District’s proportionate share of the net pension liability for KTRS because the Commonwealth of Kentucky provides the pension support directly to KTRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the CERS net pension liability	\$ 12,035,204
Commonwealth’s proportionate share of the KTRS net pension liability associated with the District	<u>161,151,992</u>
	<u><u>\$ 173,187,196</u></u>

The net pension liability for each plan was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District’s proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2014, the District’s proportion was .371% percent.

FRANKLIN COUNTY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015
 (Continued)

NOTE 4. RETIREMENT PLANS (CONTINUED)

For the year ended June 30, 2015, the District recognized pension expense of \$1,368,133 related to CERS and \$7,896,776 related to KTRS. The District also recognized revenue of \$7,896,776 for KTRS support provided by the Commonwealth. At June 30, 2014, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Change of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	1,343,420
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
District contribution subsequent to the measurement date	1,600,882	-
	<u>1,600,882</u>	<u>-</u>
Total	<u>\$ 1,600,882</u>	<u>\$ 1,343,420</u>

\$1,600,882 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2016	\$ (268,684)
2017	(268,684)
2018	(268,684)
2019	(268,684)
2020	(268,684)
	<u>\$ (1,343,420)</u>

Actuarial assumptions—The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5 percent
Salary increases	4.5 percent, average, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

For CERS, Mortality rates for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired employees and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other employees. The Group Annuity Mortality Table set forward five years is used for the period after disability retirement.

NOTE 4. RETIREMENT PLANS (CONTINUED)

For KTRS, Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with a setback of 1 year for females. The last experience study was performed in 2011 and the next experience study is scheduled to be conducted in 2016.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

For KTRS, the long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by KTRS's investment consultant, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	45.0%	6.4%
Non U.S. Equity	17.0%	6.5%
Fixed Income	24.0%	1.6%
High Yield Bonds	4.0%	3.1%
Real Estate	4.0%	5.8%
Alternatives	4.0%	6.8%
Cash	2.0%	1.5%
Total	100.00%	

Discount rate—For CERS, the discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.75%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 4. RETIREMENT PLANS (CONTINUED)

For KTRS, the discount rate used to measure the total pension liability was 5.23%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan employees until the 2036 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2035 and a municipal bond index rate of 4.35% was applied to all periods of projected benefit payments after 2035. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

Sensitivity of CERS proportionate share of net pension liability to changes in the discount rate—The following table presents the net pension liability of the District, calculated using the discount rates selected by each pension system, as well as what the District’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Franklin County CERS	\$ 15,837,523	\$ 12,035,204	\$ 8,675,765

Pension plan fiduciary net position—Detailed information about the pension plan’s fiduciary net position is available in the separately issued financial reports of both CERS and KTRS.

NOTE 5. LIABILITY FOR COMPENSATED ABSENCES

Certified employees are awarded a maximum of 10 days of sick leave annually, based upon employment contract terms and District policy. Sick leave is accrued without limitation. Upon retirement from the school system, a certified employee receives from the District an amount equal to 30% of the value of accumulated sick leave at the current daily rate of pay. At June 30, 2015, the estimate for those employees over 55 with 5 or more years of service is \$380,570, in which \$205,151 is short-term and \$175,419 is long term, both recorded on the District-wide financial statements.

NOTE 6. CAPITAL ASSETS

Capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of Net Position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of Net Position and in the respective funds.

All capital assets are capitalized at cost or estimated historical cost and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure.

Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

FRANKLIN COUNTY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015
 (Continued)

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Estimated Life in Years</u>
Buildings and Improvements	25-50
Land Improvements	20
Technology Equipment	5
Vehicles	5-10
Audio-Visual Equipment	15
Food Service Equipment	10-12
Furniture and Fixtures	7
Rolling Stock	15
Other	10

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FRANKLIN COUNTY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015
 (Continued)

NOTE 6. CAPITAL ASSETS (CONTINUED)

	June 30, 2014	Additions	Retirements	June 30, 2015
Governmental Assets				
Cost				
Land	\$ 1,541,737	\$ -	\$ -	\$ 1,541,737
Land Improvements	3,469,577	-	-	3,469,577
Buildings & Improvements	113,853,821	249,933	-	114,103,754
Technology Equipment	3,895,746	-	(59,959)	3,835,787
Other	1,861,788	-	(7,534)	1,854,254
Vehicles	6,701,609	1,136,916	(621,533)	7,216,992
Totals at historical cost	131,324,278	1,386,849	(689,026)	132,022,101
Less: Accumulated Depreciation				
Land Improvements	2,350,586	109,971		2,460,557
Land	1,277	213		1,490
Buildings & Improvements	33,008,595	2,933,099		35,941,694
Technology Equipment	3,461,062	236,882	(56,071)	3,641,873
Other	1,341,200	102,887	(2,763)	1,441,324
Vehicles	4,781,206	401,227	(621,533)	4,560,900
Total accumulated depreciation	44,943,926	3,784,279	(680,367)	48,047,838
NET	\$ 86,380,352	\$ (2,397,430)	\$ (8,659)	\$ 83,974,263
Food Service				
Cost				
Technology Equipment	\$ 99,705	\$ -	\$ -	\$ 99,705
Vehicles	28,549	-	-	28,549
General Equipment	1,486,927	49,326	-	1,536,253
Totals at historical cost	1,615,181	49,326	-	1,664,507
Less: Accumulated Depreciation				
Technology Equipment	98,880	825	-	99,705
Vehicles	28,549	-	-	28,549
General Equipment	1,054,401	66,808	-	1,121,209
Total accumulated depreciation	1,181,830	67,633	-	1,249,463
NET	\$ 433,351	\$ (18,307)	\$ -	\$ 415,044

FRANKLIN COUNTY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015
 (Continued)

NOTE 7. GENERAL LONG-TERM DEBT AND LEASE OBLIGATIONS

The District is required to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Franklin County School District Finance Corporation to construct school facilities. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund in accordance with state law.

The maturity date, original amounts of the issue and interest rates are summarized below:

<u>Bond Issue</u>	<u>Original Amount</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	2014			2015
				<u>Outstanding Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding Balance</u>
2004R	2,120,000	3/1/2015	2.62%	25,000	-	25,000	-
2005R	3,275,000	5/1/2017	3.60%	1,210,000	-	390,000	820,000
2007	11,220,000	5/1/2027	4.41%	10,175,000	-	170,000	10,005,000
2008R	1,690,000	7/1/2020	3.16%	1,205,000	-	150,000	1,055,000
2009R	1,810,000	1/1/2019	2.98%	945,000	-	180,000	765,000
2010	3,410,000	5/1/1930	2.65%	3,350,000	-	3,350,000	-
2010R	7,440,000	8/1/2021	2.63%	6,055,000	-	465,000	5,590,000
2012	10,050,000	6/1/2032	3.85%	9,890,000	-	85,000	9,805,000
2012R	5,750,000	5/1/2023	2.05%	5,260,000	-	415,000	4,845,000
2012BR	10,550,000	4/1/2024	4.00%	10,385,000	-	945,000	9,440,000
2013R	10,235,000	4/1/2025	3.00%	9,240,000	-	505,000	8,735,000
2013E	3,055,000	6/1/2028	2.00-4.125%	3,055,000	-	140,000	2,915,000
2015	3,430,000	6/1/1930	1.00-3.00%	-	3,430,000	-	3,430,000
TOTAL				\$ 60,795,000	\$ 3,430,000	\$ 6,820,000	\$ 57,405,000

The District has entered into “participation agreements” with the School Facilities Commission. The Kentucky General Assembly created the Commission for the purpose of assisting local school districts in meeting school construction needs. The table on page 35 sets forth the amount to be paid by the District and the Commission for each year until maturity of all bonds issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding. The District is liable for all issues; however, School Facilities Construction Commission participates by contributing those portions of debt that are appropriated in the State’s biennial budget.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District including amount to be paid by the Commission, at June 30, 2015 for debt service (principal and interest) are shown on the following page.

NOTE 7. GENERAL LONG-TERM DEBT AND LEASE OBLIGATIONS (CONTINUED)

**FRANKLIN COUNTY SCHOOL DISTRICTS
 SCHEDULE OF DEBT PAYMENTS
 AS OF JUNE 30, 2015**

YEAR	FRANKLIN COUNTY SCHOOL DISTRICT		SCHOOL FACILITIES CONSTRUCTION		TOTAL
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
2016	\$ 2,577,832	\$ 1,542,475	\$ 967,168	\$ 230,943	\$ 5,318,418
2017	2,647,527	1,480,603	992,473	207,154	5,327,757
2018	2,720,799	1,412,526	939,201	182,578	5,255,104
2019	2,787,056	1,350,837	957,944	160,164	5,256,001
2020	2,859,216	1,285,440	765,784	137,102	5,047,542
2021	2,945,471	1,216,201	779,529	120,332	5,061,533
2022	3,010,687	1,143,712	794,313	103,241	5,051,953
2023	3,142,339	1,081,944	812,661	84,290	5,121,234
2024	3,270,929	1,006,911	754,071	60,453	5,092,364
2025	3,509,605	887,654	130,395	37,140	4,564,794
2026	3,691,946	770,688	133,054	32,756	4,628,444
2027	3,852,364	614,782	137,636	28,174	4,632,956
2028	2,758,528	434,421	101,472	23,236	3,317,657
2029	2,509,470	334,223	105,530	19,177	2,968,400
2030	2,590,564	244,394	119,436	14,956	2,969,350
2031	1,890,826	151,422	124,174	10,178	2,176,600
2032	1,894,721	75,789	130,279	5,211	2,106,000
TOTAL	\$48,659,880	\$ 15,034,022	\$ 8,745,120	\$ 1,457,085	\$ 73,896,107

The issue date, original amounts of the KISTA issue and interest rates are summarized below:

<u>KISTA Issue</u>	<u>Original Amount</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>2014</u>			<u>2015</u>
				<u>Outstanding Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding Balance</u>
2005	718,440	3/1/2015	3.00-3.625%	68,747	-	68,747	-
2006	629,202	3/1/2016	3.30-4.00%	119,587	-	58,621	60,966
2006B	477,939	3/1/2017	3.50-3.875%	147,603	-	53,345	94,258
2008	306,699	3/1/2018	3.00-3.76%	123,779	-	32,051	91,728
2009	100,935	3/1/2019	2.00-3.90%	50,412	-	10,202	40,210
2009C	265,503	3/1/2020	2.00-3.60%	158,317	-	26,046	132,271
2011	81,036	3/1/2021	1.00-4.00%	55,699	-	7,809	47,890
2012	409,204	3/1/2022	2.0-2.625%	318,619	-	38,687	279,932
2013	577,853	3/1/2023	2.00%	514,513	-	64,365	450,148
2015	1,135,767	3/1/2025	1.00-2.625%	-	1,135,767	-	1,135,767
TOTAL				\$ 1,557,276	\$1,135,767	\$ 359,873	\$ 2,333,170

NOTE 7. GENERAL LONG-TERM DEBT AND LEASE OBLIGATIONS (CONTINUED)

The following is a schedule by years of the future minimum lease payments under capital lease together with the present value of the net minimum lease payments as of June 30, 2015:

**FRANKLIN COUNTY SCHOOLS
 SCHEDULE OF KISTA PAYMENTS
 AS OF JUNE 30, 2015**

YEAR	FRANKLIN COUNTY SCHOOL DISTRICT		TOTAL
	PRINCIPAL	INTEREST	
2016	403,087	52,342	455,429
2017	342,804	43,182	385,986
2018	282,005	35,676	317,681
2019	253,330	29,455	282,785
2020	247,254	23,739	270,993
2021	219,527	18,152	237,679
2022	205,601	13,427	219,028
2023	171,483	8,933	180,416
2024	102,739	5,205	107,944
2025	105,340	2,765	108,105
TOTAL	\$ 2,333,170	\$ 232,876	\$ 2,566,046

NOTE 8. OPERATING FUND TRANSFERS

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Matching	General	Special Revenue	KETS offer of Assistance	\$ 133,645
Operating	After School Program	General	Staffing	210,950
Operating	Construction	Capital	Approved Projects	74,572
Operating	Building	Debt Service	Bond Payments	2,978,904
Operating	Capital Outlay	Debt Service	Bond Payments	904,621
Operating	Building Fund	Construction	Projects	1,239,044
			Total Transfers	<u>\$ 5,541,736</u>

NOTE 9. DEFICIT OPERATING BALANCES

There are no funds of the District that currently have a deficit fund balance/Net Position. However, the following funds have operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of fund balance/Net Position:

Capital Outlay	(\$332,598)
Building Fund	(\$10,146)
Food Service	(\$42,764)

NOTE 10. RISK MANAGEMENT

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated, including Workers' Compensation insurance.

The District is exposed to various risks of loss related to injuries to employees. To obtain insurance of workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. The public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation fund are based on premium rates established by such funds in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance Fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving a ninety (90) day notice. In the event the Trust terminates coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the members on a pro rata basis.

NOTE 11. COMMITMENTS AND CONTINGENCIES

Litigation

The Board of Education is the defendant in lawsuits arising principally in the normal course of operations. The Board is covered by insurance against this type of liability. At this time, the administration is unable to make an evaluation regarding the likelihood of an unfavorable outcome or any possible financial implication to the Board of Education.

Grant Programs

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2015 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements.

NOTE 12. BUDGETARY DISCLOSURE REQUIREMENTS

Budgetary comparisons for the General Fund and Special Revenue Fund are disclosed as required supplementary information. "On behalf" contributions made by the Commonwealth of Kentucky were recorded in the District's records as revenues and expenditures. The purpose of the policy change was to conform to requirements of the GASB 34 reporting model. The District's budget appropriations does reflect this change in policy.

FRANKLIN COUNTY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015
 (Continued)

NOTE 13. ON-BEHALF PAYMENTS

The District receives on-behalf payments from the State of Kentucky for items including retirement and insurance. The amount received for the fiscal year ended June 30, 2015 was \$11,166,685. On-behalf payments for the current fiscal year were as follows:

General Fund	9,552,694
Debt Service	1,232,300
Food Service	205,153
After School Care	176,538
Total	<u>\$ 11,166,685</u>

NOTE 14. CHANGE IN ACCOUNTING PRINCIPLE AND RELATED CHANGES TO CERTAIN BEGINNING BALANCES

Effective July 1, 2014, the District was required to adopt Governmental Accounting Standards Board (GASB) Statement no. 68, "Accounting and Financial Reporting for Pensions" (GASB 68). GASB 68 replaced the requirements of GASB 27, "Accounting for Pensions by State and Local Governmental Employers" and GASB 50, "Pension Disclosures", as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability to more comprehensively and comparably measure the annual costs of pension benefits. Cost-sharing governmental employers, such as the District, are required to report a net pension liability, pension expense and pension-related assets and liabilities based on their proportionate share of the collective amounts for all governments in the plan.

GASB 68 required retrospective application. Since the District only presents one year of financial information, the beginning net pension was adjusted to reflect the retrospective application. The adjustment resulted in a \$12,010,491 reduction in beginning net position on the Statement of Activities and an increase of \$1,607,600 of deferred outflows of resources – District contributions subsequent to the measurement date.

FRANKLIN COUNTY SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE

For the year ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)	Variance % Favorable (Unfavorable)
REVENUES					
From local sources					
Taxes					
Property taxes	\$ 15,289,766	\$ 15,289,766	\$ 15,448,070	\$ 158,304	1.04%
Motor vehicle taxes	1,447,762	1,447,762	1,673,346	225,584	15.58%
Utility taxes	2,800,000	2,800,000	3,006,631	206,631	7.38%
Other taxes	934,658	934,658	989,822	55,164	5.90%
Earnings on investments	15,000	15,000	5,700	(9,300)	-62.00%
Other local revenues	241,931	241,931	175,212	(66,719)	-27.58%
State Sources					
SEEK	18,899,579	18,899,579	19,591,739	692,160	3.66%
On Behalf	8,917,964	8,917,964	9,552,694	634,730	7.12%
Other	184,000	184,000	164,919	(19,081)	-10.37%
Federal-Indirect	43,000	43,000	81,041	38,041	88.47%
Other	5,000	5,000	31,945	26,945	538.90%
Inter-fund transfers	48,400	48,400	210,950	162,550	335.85%
Beginning Balance	5,179,345	5,073,319	5,073,319	-	0.00%
TOTAL REVENUES	<u>54,006,405</u>	<u>53,900,379</u>	<u>56,005,388</u>	<u>2,105,009</u>	<u>3.91%</u>
EXPENDITURES					
Instructional	28,115,123	28,681,280	28,463,520	217,760	0.76%
Student services					
Student	2,564,321	2,564,296	2,100,678	463,618	18.08%
Instructional staff	2,298,296	2,746,904	2,049,071	697,833	25.40%
District administrative	1,119,738	1,110,183	1,096,134	14,049	1.27%
School administrative	4,188,001	4,215,956	3,934,519	281,437	6.68%
Business	853,962	853,962	791,000	62,962	7.37%
Plant operation and maintenance	5,037,142	5,035,835	4,819,740	216,095	4.29%
Student transportation	3,713,786	3,713,786	3,648,396	65,390	1.76%
Community Services	109,454	109,454	110,942	(1,488)	-1.36%
Debt service	700,319	700,319	690,126	10,193	1.46%
Inter-fund transfers	108,094	108,093	133,645	(25,552)	-23.64%
Contingency	5,198,169	4,060,311	-	4,060,311	100.00%
TOTAL EXPENDITURES	<u>54,006,405</u>	<u>53,900,379</u>	<u>47,837,771</u>	<u>6,062,608</u>	<u>11.25%</u>
Excess (Deficit) of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,167,617</u>	<u>\$ 8,167,617</u>	<u>15.15%</u>

NOTE: BUDGET INFORMATION IS DERIVED FROM THE DISTRICT'S ANNUAL FINANCIAL REPORT, WHICH MAY VARY FROM THE BASIC FINANCIAL STATEMENTS. THE VARIATIONS ARE PRIMARILY DUE TO PRESENTATION OF OTHER FINANCING SOURCES (USES) OF FUNDS AND TRANSFERS.

FRANKLIN COUNTY SCHOOL DISTRICT
SPECIAL FUND
BUDGETARY COMPARISON SCHEDULE

For the year ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>	<u>Variance % Favorable (Unfavorable)</u>
REVENUES					
From local sources					
Other local revenues	\$ 39,000	\$ 49,314	\$ 170,594	\$ 121,280	245.93%
Intergovernmental - state	2,467,496	2,512,368	2,253,328	(259,040)	-10.31%
Intergovernmental - Federal	3,089,403	3,111,540	3,128,166	16,626	0.53%
Inter-fund transfers	108,094	108,094	133,645	25,551	23.64%
TOTAL REVENUES	<u>5,703,993</u>	<u>5,781,316</u>	<u>5,685,733</u>	<u>(95,583)</u>	<u>-1.65%</u>
EXPENDITURES					
Instructional	4,375,074	4,435,855	3,733,762	702,093	15.83%
Student services:					
Student	81,000	81,000	635,157	(554,157)	-684.14%
Instructional staff	801,361	804,961	826,981	(22,020)	-2.74%
Business		-	12,340	(12,340)	100.00%
Plant operation and maintenance		-	7,397	(7,397)	100.00%
Student transportation	4,000	4,000	4,028	(28)	-0.70%
Community services	442,558	455,500	466,068	(10,568)	-2.32%
TOTAL EXPENDITURES	<u>5,703,993</u>	<u>5,781,316</u>	<u>5,685,733</u>	<u>95,583</u>	<u>1.65%</u>
Excess (Deficit) of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>0.00%</u>

NOTE: BUDGET INFORMATION IS DERIVED FROM THE DISTRICT'S ANNUAL FINANCIAL REPORT, WHICH MAY VARY FROM THE BASIC FINANCIAL STATEMENTS. THE VARIATIONS ARE PRIMARILY DUE TO PRESENTATION OF OTHER FINANCING SOURCES (USES) OF FUNDS AND TRANSFERS.

**SCHEDULE OF FRANKLIN COUNTY DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY**

Kentucky Teachers Retirement Systems

Last 10 Fiscal Years*

(Dollar amounts in thousands)

	<u>2014</u>
District's proportion of the net pension liability (asset)	0.000%
District's proportionate share of the net pension liability (asset)	\$ -
State's proportionate share of the net pension liability (asset) associated with the District	161,152
Total	<u>\$ 161,152</u>
District's covered-employee payroll	\$ 24,936
District's proportionate share of the net pension liability (asset as a percentage of its covered-employee payroll)	0.00%
Plan fiduciary net position as a percentage of the total pension liability	45.59%

* The amounts presented for each fiscal year were determined as of June 30.
Schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.

**SCHEDULE OF FRANKLIN COUNTY DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY**

Kentucky Teachers Retirement Systems

Last 10 Fiscal Years*

(Dollar amounts in thousands)

	2014
Contractually required contributions	734
Contributions in relation to the Contractually required contribution	(734)
Contribution deficiency (excess)	\$ -
 District's covered-employee payroll	 \$ 24,936
 Contributions as a percentage of covered- employee payroll	 2.94%

* The amounts presented for each fiscal year were determined as of June 30.
Schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.

**SCHEDULE OF FRANKLIN COUNTY DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY**

County Retirement Systems

Last 10 Fiscal Years*

(Dollar amounts in thousands)

	<u>2014</u>
District's proportion of the net pension liability (asset)	0.371%
District's proportionate share of the net pension liability (asset)	\$ 12,035
State's proportionate share of the net pension liability (asset) associated with the District	-
Total	<u><u>\$ 12,035</u></u>
 District's covered-employee payroll	 \$ 12,029
District's proportionate share of the net pension liability (asset as a percentage of its covered-employee payroll)	100.05%
Plan fiduciary net position as a percentage of the total pension liability	66.80%

* The amounts presented for each fiscal year were determined as of June 30.

Schedule is intended to show information for 10 years.

Additional years will be displayed as they become available.

**SCHEDULE OF FRANKLIN COUNTY DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
County Retirement Systems
Last 10 Fiscal Years*
(Dollar amounts in thousands)**

	2014
Contractually required contributions	1,601
Contributions in relation to the Contractually required contribution	(1,601)
Contribution deficiency (excess)	\$ -
 District's covered-employee payroll	 \$ 12,029
 Contributions as a percentage of covered- employee payroll	 13.31%

* The amounts presented for each fiscal year were determined as of June 30.
Schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.

FRANKLIN COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS

As of June 30, 2015

	Building Fund	Capital Outlay Fund	Total Non-Major Funds
ASSETS			
Cash and cash equivalents	\$ 332,594	\$ 463,242	\$ 795,836
Total assets	332,594	463,242	795,836
 LIABILITIES AND FUND BALANCES			
Fund Balances			
Restricted:			
Restricted for SFCC Escrow Current Year	\$ 332,594	\$ 463,242	\$ 795,836
Total fund balances	332,594	463,242	795,836
 Total liabilities and fund balances	\$ 332,594	\$ 463,242	\$ 795,836

FRANKLIN COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS

For the year ended June 30, 2015

Revenues	<u>Capital Outlay Fund</u>	<u>Building Fund</u>	<u>Debt Service Fund</u>	<u>Total Non-major Govt. Funds</u>
From local sources				
Property taxes	\$ -	\$ 3,313,406	\$ -	\$ 3,313,406
State sources				
SEEK	561,789	894,396	-	1,456,185
On Behalf Payments	-	-	1,232,300	1,232,300
Total revenues	<u>561,789</u>	<u>4,207,802</u>	<u>1,232,300</u>	<u>6,001,891</u>
Expenditures				
Support services				
Plant operation and maintenance	64,338	-	-	64,338
Debt service	-	-	5,115,825	5,115,825
Total expenditures	<u>64,338</u>	<u>-</u>	<u>5,115,825</u>	<u>5,180,163</u>
Excess (deficit) of revenues over expenditures	<u>497,451</u>	<u>4,207,802</u>	<u>(3,883,525)</u>	<u>821,728</u>
Other Financing Sources (Uses)				
Operating transfers in	74,572	-	3,883,525	3,958,097
Operating transfers out	(904,621)	(4,217,948)	-	(5,122,569)
Total other financing sources (uses)	<u>(830,049)</u>	<u>(4,217,948)</u>	<u>3,883,525</u>	<u>(1,164,472)</u>
Net change in fund balances	(332,598)	(10,146)	-	(342,744)
Fund balance, July 1, 2014	<u>795,840</u>	<u>342,740</u>	<u>-</u>	<u>1,138,580</u>
Fund balance, June 30, 2015	<u>\$ 463,242</u>	<u>\$ 332,594</u>	<u>\$ -</u>	<u>\$ 795,836</u>

FRANKLIN COUNTY SCHOOL DISTRICT
FRANKLIN COUNTY HIGH SCHOOL ACTIVITY FUND
ALL FUNDS COMBINED
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
For the year ended June 30, 2015

<u>Individual Funds</u>	<u>Fund Balance June 30, 2014</u>	<u>Receipts</u>	<u>Disburse- ments</u>	<u>Transfers In / (Out)</u>	<u>Fund Balance June 30, 2015</u>
General	402	201	(559)	-	44
Family Resources	-	240	(119)	-	121
Interest	85	-	(66)	(19)	-
Postage	99	70	(132)	-	37
Parking	1,207	825	(3,204)	1,292	120
State Textbooks	962	29,469	(27,364)	(2,235)	832
FEA	1,145	-	(40)	(25)	1,080
Lost & Stolen Textbooks	162	259	-	-	421
Social Committee	15	-	-	(15)	-
Coke Sales	342	-	(265)	(77)	-
Teachers Lounge	649	1,377	(1,674)	(246)	106
Athletic	15,963	100,588	(110,819)	(1,477)	4,255
FB Playoffs	-	6,517	(5,588)	(929)	-
Boys Basketball Camp	2,701	2,480	(1,067)	105	4,219
Girls Basketball Camp	2	-	-	225	227
Boys Tennis	61	2,980	(2,764)	299	576
Cheerleaders	2,060	13,813	(15,072)	739	1,540
Swimming Team	7	503	(504)	(5)	1
Flyerette Tennis	49	-	-	(49)	-
Flyer Athletic Club	14	-	-	(14)	-
Softball Showcase	655	5,530	(7,956)	2,119	348
Art Club	573	355	(143)	(25)	760
Art Fund	2,321	875	(913)	(139)	2,144
Beta Clb	425	16,337	(15,448)	(30)	1,284
DECA	669	5,812	(4,948)	(300)	1,233
FFA	75	3,222	(2,786)	-	511
Academic Club	130	415	(483)	-	62
Key Club	150	4,354	(3,441)	(25)	1,038
Math Dept	362	372	(569)	-	165
National Honor Society	464	590	(889)	(50)	115
Pep Club	165	1,272	(866)	(25)	546
Student Council	624	795	(1,616)	775	578
Vernissage	5,976	941	(984)	-	5,933
Y Club	74	13,268	(13,011)	(116)	215
AP Bio	304	3,840	(3,840)	(304)	-
Drama	8,117	10,879	(13,362)	(75)	5,559
English Dept	1,102	2,493	(1,669)	-	1,926
Football Quarterback	1,223	1,250	(4,802)	2,329	-
ROTC Cadet T1	-	5,248	(5,087)	(161)	-
ROTC Fundraiser	937	9,707	(9,543)	161	1,262
Class of 2015	90	6,252	(7,909)	1,567	-

FRANKLIN COUNTY SCHOOL DISTRICT
FRANKLIN COUNTY HIGH SCHOOL ACTIVITY FUND
ALL FUNDS COMBINED
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
For the year ended June 30, 2015

Individual Funds	Fund Balance June 30, 2014	Receipts	Disburse- ments	Transfers In / (Out)	Fund Balance June 30, 2015
Class of 2014	\$ 63	\$ 200	\$ (50)	\$ (213)	\$ -
Counselor Fund	1,499	182	(567)	-	1,114
Guidance Office JCPS	113	20	-	-	133
AP Exams	13,584	23,522	(25,889)	-	11,217
Library Fund	568	801	(308)	-	1,061
PSAT	1,342	465	(533)	-	1,274
Yearbook Ads	23,966	16,782	(10,265)	(1,410)	29,073
Miss FCHS Pageant	-	315	(552)	237	-
Sophomore Class	-	24	-	65	89
Pearce Scholarship	300	-	-	(300)	-
Greenhouse	3,019	1,664	(2,900)	250	2,033
Tennis Court Beautification	1,464	-	(391)	-	1,073
Shining Star Fund	5,228	590	(4,027)	37	1,828
Science Dept	52	-	-	(52)	-
Jenn Penn Memorial	500	-	-	(500)	-
Dance Team	547	-	-	70	617
Social Studies	164	-	(150)	-	14
FB Bowls	14	-	-	-	14
Archery	2,568	1,297	(2,796)	(47)	1,022
Track	1,500	2,068	(3,818)	800	550
Bass club	235	1,522	(1,916)	160	1
Soccer Camp	6,582	9,060	(5,164)	(100)	10,378
Band Camp	178	-	-	(100)	78
Junior Class	-	43	-	(25)	18
Girls Golf Club	-	-	-	150	150
Cross Country Booster	8,479	13,455	(9,072)	(448)	12,414
Soar	440	25	(528)	537	474
Fort Lang Field Trip	550	-	(10)	(25)	515
AP Gov	420	-	-	(420)	-
AP Spanish	-	92	-	-	92
Flyer Connection	2,063	5,971	(7,460)	506	1,080
Young Democrats	35	285	(60)	(25)	235
FCA	200	-	(119)	-	81
World HS Fishing	160	-	-	(160)	-
SB Player Fees	1,369	4,240	(2,374)	(2,555)	680
Young Republicans	-	25	-	(25)	-
Volleyball	-	2,266	-	(980)	1,286
Step Team	-	3,466	(4,279)	898	85
Boys Golf	-	215	(405)	405	215
Girls Bball Trips	-	1,440	(800)	-	640
Total	\$ 127,563	\$ 343,164	\$ (353,935)	\$ -	\$ 116,792

FRANKLIN COUNTY SCHOOL DISTRICT
WESTERN HILLS HIGH SCHOOL ACTIVITY FUND
ALL FUNDS COMBINED
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

For the year ended June 30, 2015

<u>Individual Funds</u>	<u>Fund Balance June 30, 2014</u>	<u>Receipts</u>	<u>Disburse- ments</u>	<u>Transfers In / (Out)</u>	<u>Fund Balance June 30, 2015</u>
Operating Fund	\$ 456	\$ 2,884	\$ (3,248)	\$ -	\$ 92
KSU Classes	-	4,125	(3,885)	-	240
Postage	82	-	-	-	82
Building	78	-	-	(78)	-
Coke Teachers Lounge	788	1,585	(1,664)	-	709
Lost Textbook	-	-	-	(20)	(20)
Parking Fees	451	1,056	(450)	-	1,057
Principals Special	1	-	(359)	116	(242)
Textbook Rental	3,823	31,606	(22,804)	(8,190)	4,435
Contingency	157	-	(7,174)	7,123	106
AP Exams	-	19,993	(18,465)	-	1,528
Student Incentives	106	1,201	(1,196)	-	111
Class of 2013	23	-	-	(23)	-
Class of 2014	3,917	-	-	(3,917)	-
Class of 2015	350	3,537	(8,878)	5,816	825
Class of 2016	-	-	-	23	23
Athletic Budget	8,209	65,569	(65,896)	3,128	11,010
Athletic Admin Special	2,047	-	-	-	2,047
Boys Golf Special	5,425	1,852	(2,577)	-	4,700
Baseball Special	6,320	14,975	(18,009)	100	3,386
BBK Special	6,711	4,411	(7,041)	-	4,081
Cheerleaders	5,017	22,198	(19,669)	-	7,546
Dance Team	51	-	-	-	51
Football Special	7,621	28,513	(33,031)	375	3,478
Girls Golf Special	903	1,856	(1,370)	-	1,389
Boys Soccer	5,716	5,359	(4,462)	-	6,613
GBK Special	4,476	7,976	(6,155)	(214)	6,083
Softball	1,889	500	(560)	-	1,829
Swim Special	3	659	(642)	-	20
Track Special	7,094	12,323	(4,542)	-	14,875
Volleyball Special	3,488	12,878	(15,838)	367	895
Cross Country Special	1,092	816	(360)	-	1,548
Dist/Reg Tournament	5,024	2,297	(1,903)	(5,000)	418
Tennis Special	812	904	(1,497)	-	219
Wrestling Special	2,954	3,993	(4,336)	775	3,386
Girls Soccer	5,080	2,114	(4,291)	-	2,903
Athletic Programs	3,128	110	(520)	-	2,718
GBK Special	799	195	(729)	254	519
BBK Special Coach	457	499	(450)	-	506
Football Special	1,155	2,851	(2,991)	-	1,015

FRANKLIN COUNTY SCHOOL DISTRICT
WESTERN HILLS HIGH SCHOOL ACTIVITY FUND
ALL FUNDS COMBINED
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

For the year ended June 30, 2015

Individual Funds	Fund Balance June 30, 2014	Receipts	Disburse- ments	Transfers In / (Out)	Fund Balance June 30, 2015
Trista Shoemaker Sc	\$ 3,253	\$ -	\$ (500)	\$ (500)	\$ 2,253
Archery	7,599	12,952	(12,339)	500	8,712
Academic Club	622	252	(713)	-	161
Art Club	147	133	(271)	-	9
Beta Club	845	22,468	(22,311)	(49)	953
Y-Club	120	9,012	(9,435)	645	342
Cultural Diversity	42	-	-	-	42
Drama Club	8,974	6,821	(5,728)	(40)	10,027
Ecology Club	274	-	-	-	274
FFA	2,707	10,455	(13,113)	(43)	6
FCCLA	2,222	17,238	(17,524)	(832)	1,104
French Honor Society	119	993	(914)	(40)	158
National Honor Society	312	760	(661)	-	411
Pep Club	1,228	279	(1,274)	(40)	193
Spanish Honor Society	208	969	(660)	(40)	477
Student Council	1,665	854	(620)	-	1,899
Jr. Historians	235	80	(190)	-	125
Book Club	16	-	-	-	16
Wolverine Warehouse	551	130	(284)	10	407
Future Educators	20	356	(327)	(40)	9
Film Club	84	-	-	(84)	-
DECA	559	1,846	(1,502)	(40)	863
Young Republicans	59	145	-	(40)	164
Young Democrats	119	-	-	-	119
PTO	1,252	359	(1,438)	-	173
Poetry Out Loud	2,804	-	-	-	2,804
PTO Technology	38	-	-	-	38
Key Club	440	255	(664)	(40)	(9)
Mu Alpha Theta	450	931	(1,195)	-	186
Gay/Straight Alliance	55	-	-	(40)	15
Band	132	200	(200)	3,426	3,558
Business Dept	8	-	-	-	8
Chorus	48	-	(128)	-	(80)
Technology	418	-	(78)	-	340
English Dept	294	427	(550)	-	171
FAMCO Fees	427	250	(172)	467	972
Foreign Language	35	-	-	-	35
Humanities	24	-	-	-	24
AG Dept	1,165	1,000	(1,020)	-	1,145
Journalism-Print	376	-	-	-	376

FRANKLIN COUNTY SCHOOL DISTRICT
WESTERN HILLS HIGH SCHOOL ACTIVITY FUND
ALL FUNDS COMBINED
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
For the year ended June 30, 2015

<u>Individual Funds</u>	Fund Balance June 30, 2014	Receipts	Disburse- ments	Transfers In / (Out)	Fund Balance June 30, 2015
Library	\$ 74	\$ 136	\$ (135)	\$ -	\$ 75
Math Dept	284	-	-	-	284
PE Dept	15	-	-	-	15
Resource Spec Ed	6	-	-	-	6
Science Dept	195	-	-	72	267
Social Studies	46	-	-	-	46
Horticulture	6,324	7,328	(6,773)	140	7,019
Outdoor Classroom	200	-	-	-	200
Counselors	2,898	648	(1,457)	-	2,089
Counselor Special	550	65	(68)	-	547
Learning Center	3,656	1,012	(2,752)	-	1,916
Pageant	224	7,021	(1,144)	(6,100)	1
Yearbook	7,336	6,071	(10,385)	(52)	2,970
Writing Club	33	-	-	(33)	-
CPR/HOSA	624	1,718	(1,674)	-	668
Memorial Garden	1,339	-	(1,135)	1,500	1,704
Child Development	40	-	-	-	40
Region 15 FCCLA	3,898	1,522	(5,650)	230	-
Bio-Med	-	480	(908)	428	-
Total	<u>\$ 163,391</u>	<u>\$ 374,001</u>	<u>\$ (390,884)</u>	<u>\$ -</u>	<u>\$ 146,508</u>

FRANKLIN COUNTY SCHOOL DISTRICT
ELEMENTARY AND MIDDLE SCHOOLS ACTIVITY FUNDS
ALL FUNDS COMBINED
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

For the year ended June 30, 2015

	Fund Balance <u>June 30, 2014</u>	Receipts	Disburse- ments	Fund Balance <u>June 30, 2015</u>
Franklin County Elementary Schools				
Bridgeport	\$ 29,800	\$ 65,626	\$ (51,015)	\$ 44,411
Collins Lane	10,159	43,908	(48,238)	5,829
Elkhorn	14,337	35,497	(36,375)	13,459
Hearn (restated)	32,995	52,367	(54,597)	30,765
Peaks Mill	13,857	52,724	(41,825)	24,756
Westridge	31,193	79,825	(79,176)	31,842
Franklin County Middle Schools				
Bondurant	129,377	240,383	(236,461)	133,299
Elkhorn	80,462	162,092	(166,069)	76,485
Early Learning Village - East	24,358	42,380	(38,166)	28,572
Franklin Career and Technical Center	27,986	32,824	(44,420)	16,390
FFA Escrow Account	42,629	-	-	42,629
Total	<u>\$ 437,153</u>	<u>\$ 807,626</u>	<u>\$ (796,342)</u>	<u>\$ 448,437</u>

FRANKLIN COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015

<u>Program Title</u>	<u>Munis Number</u>	<u>Federal CFDA No.</u>	<u>Award Expenditures</u>	<u>Total By CFDA No.</u>
U. S. DEPARTMENT OF AGRICULTURE		Cluster		
<i>Passed Through Kentucky Department of Education:</i>				
<u>Child Nutrition Cluster</u>				
School Breakfast Program	203X	10.553	418,918	
National School Lunch Program	205X	10.555	1,369,563	
Summer Food Service program for Children	209X	10.559	38,297	1,826,778 **
<i>Passed Through Kentucky Department of Agriculture:</i>				
Commodity Supplemental Food Program	201X	10.565	180,760	180,760 **
TOTAL U.S. DEPARTMENT OF AGRICULTURE				2,007,538
 U. S. DEPARTMENT OF EDUCATION				
<i>Passed Through Kentucky Department of Education:</i>				
<u>Title I Cluster</u>				
Title I: Part A - Improving Basic Programs	310X	84.010	1,233,075	
Title I: Prof Dev - Parent Involvement	310XM	84.010	30,706	
Title I: Delinquent Children in LEA Operated Institutions	314X	84.010	1,834	1,265,615
Title I: Neglected & Delinquent Children	313X	84.013	14,500	
Title I: Neglected & Delinquent Children Transitional	313XT	84.013	2,218	16,718
<u>Special Education Cluster</u>				
IDEA-B Flow Thru to LEA's	337X	84.027	1,455,864	
IDEA-B Private Schools	337XP	84.027A	2,483	
IDEA B - Preschool	343X	84.173	69,823	1,528,170
Perkins	348X	84.048	77,291	
Perkins Carry Forward	348XA	84.048	3,381	80,672
Service Projects - Project Respect	378X	84.128	21,644	21,644
Title III: Limited English Proficiency	345X	84.365	9,896	9,896
Title II: Teachers Quality	401X	84.367	201,511	201,511
Race to the Top	452X	84.413A	1,167	1,167
Investing In Innovation I3	491X	84.411A	2,773	2,773
TOTAL U.S. DEPARTMENT OF EDUCATION				3,128,166
 U.S. DEPARTMENT OF DEFENSE				
<i>Passed through KY Dept. of Military Affairs</i>				
Air Force Junior ROTC	n/a	12.000	58,831	58,831
TOTAL EXPENDITURES OF FEDERAL AWARDS				5,194,535

*Tested as major program or cluster ***

FRANKLIN COUNTY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2015

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal activity of Franklin County School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from the amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – FOOD DISTRIBUTION PROGRAM

Non-monetary assistance is reported in the Schedule at the fair value of the commodities received. Through June 30, 2015, \$180,760 has been received with \$172,760 passed through the U.S. Department of Agriculture and \$8,000 passed through the U.S. Department of Defense.

FRANKLIN COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2015

Section 1. Summary of Auditor's Findings

Financial statements:

Type of auditor's report issued: unmodified

Internal control over financial reporting

	Yes	No
• Material weaknesses identified?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
• Significant deficiencies identified that are not considered to be material weaknesses?	<input checked="" type="checkbox"/>	None Reported
• Noncompliance material to financial statements noted?	<input checked="" type="checkbox"/>	

Federal Awards:

Internal control over major programs

	Yes	No
• Material weakness identified?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
• Significant deficiencies identified that are not considered to be material weaknesses?	<input checked="" type="checkbox"/>	None Reported

Type of auditor's report issued on compliance for major programs: unmodified

	Yes	No
• Any audit findings disclosed that are required to be reported in accordance with section 510 (a) of Circular A-133?	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555, 10.559	Child Nutrition Cluster
10.565	Commodity Supplemental Food Program

- Dollar threshold used to distinguish between type A and type B programs \$300,000
- Auditee qualified as low-risk auditee? Yes No

Section 2. Financial Statement Findings

Current Year Findings: No matters reported

Prior Year Findings: No matters reported

Section 3. Federal Awards Findings and Questionable Costs

Current Year Findings: No matters were reported

Prior Year Findings: No matters were reported

FRANKLIN COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2015

Prior Year Comments: No matters reported

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Franklin County School District
Frankfort, Kentucky

**INDEPENDENT REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendices I and II of the *Independent Auditor's Contract*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Franklin County School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Franklin County School District's basic financial statements, and have issued our report thereon dated October 29, 2015.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Franklin County School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Franklin County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Franklin County School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weakness may exist that have not been identified.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Franklin County School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in the Independent Auditor's Contract.

We noted certain matters that we reported to management of Franklin County School District in a separate letter dated October 29, 2015.

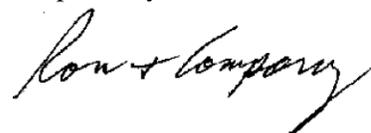
Franklin County School District's Response to Findings

Franklin County School District's response to the findings identified in our audit are described in the Recommendations and Comments to Management. Franklin County School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal controls and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,



Ross and Company, PLLC
October 29, 2015

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

Report on Compliance for Each Major Federal Program

We have audited Franklin County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of Franklin County School District's major federal programs for the year ended June 30, 2015. Franklin County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Franklin County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular No. A-133, *Audits of States, Local Governments, and Non-Profit Organization*, and the requirements prescribed by the Kentucky State Committee for School District Audits in Appendices I and II of the Independent Auditor's Contract. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Franklin County School District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Franklin County School District' compliance.

Opinion on Each Major Federal Program

In our opinion, Franklin County School District complied, in all material respects, with the types compliance requirements referred to above that could have direct and material effect on each of its major federal programs for the year ended June 30, 2015.

INDEPENDENT REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

Report Internal Control over Compliance

Management of Franklin County School District is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Franklin County School District's internal control over compliance with the types requirements that could have a direct and material effect on a major federal program to determine our auditing procedures that are appropriate in the circumstance for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Franklin County School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of the internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully Submitted,



Ross & Company, PLLC
October 29, 2015

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RECOMMENDATIONS AND COMMENTS TO MANAGEMENT

In planning and performing our audit, we considered Franklin County School District’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Franklin County School District’s internal control over financial reporting.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the District’s internal control in our report dated October 29, 2015. This letter does not affect our report dated October 29, 2015, on the financial statements of the Franklin County School District. The conditions observed are as follows:

Current Year Findings –

2015-01 Student Activity Funds Used For Operation Expenses

Statement of Condition: Office and instructional supplies were paid through Activity Funds

Criteria for Condition: School activity funds shall not be used to pay for basic routine operating expenses including instructional supplies per Accounting Procedures for Kentucky School Activity Funds, “Redbook.”

Cause of the Condition: Activity funds were used to pay for classroom and library supplies along with office supplies.

Effect of the Condition: School activity money generated by students may be used to provide student incentives for scholarship, athletics, specialized area performance, school spirit, and similar achievements. Office supplies and instructional supplies such as classroom supplies are disallowed according to KDE “RedBook”.

Recommendation for

Correction: District activity sweep accounts should be created at each school to allow for these purchases when prohibited.

Management’s Response: *The District will set up district activity accounts to accommodate the schools’ needs.*

FRANKLIN COUNTY SCHOOL DISTRICT
RECOMMENDATION AND COMMENTS TO MANAGEMENT
JUNE 30, 2015
(Continued)

Prior year comments-

2014-01:	<u>Ticket Sales (Redbook)</u>	(CORRECTED)
2014-02:	<u>Handling Cash, (Redbook)</u>	(CORRECTED)
2014-03:	<u>Use of Purchase Orders, (Redbook)</u>	(CORRECTED)
2014-04:	<u>Lack of Approval by Superintendent</u>	(CORRECTED)
2014-05	<u>Lack of Two Signatures</u>	(CORRECTED)
2014-06	<u>No Invoice Documentation</u>	(CORRECTED)
2014-07	<u>Missing Concession Form (F-SA-17)</u>	(CORRECTED)

If any action occurs after this exit conference date, which affects the significant or material findings, it is the responsibility of management to provide that information to the auditors.

We sincerely appreciate the courtesy extended to our audit staff again this year. Of course, should you have any questions or concerns regarding your audit, please feel free to contact us.

Respectfully Submitted,



Ross & Company, PLLC
October 29, 2015