

FRANKLIN COUNTY SCHOOL DISTRICT
Frankfort, Kentucky

FINANCIAL STATEMENTS
June 30, 2019

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INDEPENDENT AUDITORS' REPORT

To the State Committee for School District Audits and
Members of the Board of Education
Franklin County School District

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 the Franklin County School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Franklin County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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.

Auditors' 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 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.

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 of the Franklin County School District, as of June 30, 2019, 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 pension and OPEB schedules on pages 3-7 and 50-61 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 the Franklin County School District's basic financial statements. The combining nonmajor fund financial statements, the combining student group fiduciary fund financial statements, and the high school fiduciary financial statements, 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 as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining nonmajor fund financial statements, the combining student group fiduciary fund financial statements, the high school fiduciary financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 nonmajor fund financial statements, the combining student group fiduciary fund financial statements, the high school fiduciary financial statements and the schedule of expenditures of federal awards, are 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 December 12, 2019, on our consideration of the 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 solely 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 the effectiveness of the Franklin County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Franklin County School District's internal control over financial reporting and compliance.

RFH

RFH, PLLC
Lexington, Kentucky
December 12, 2019

**FRANKLIN COUNTY SCHOOL DISTRICT
FRANKFORT, KY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

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, 2018. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

The beginning cash balance, including activity funds, for the District was \$24,225,751. The ending cash balance, including activity funds, for the District was \$24,393,875.

The General Fund had \$61,142,248 in revenue, which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes. Excluding inter-fund transfers, there were \$59,820,424 in General Fund expenditures. This includes on-behalf payments.

The District levied tax rates of 69.5 cents (real estate), 69.5 cents (tangible property) and 51.0 cents (motor vehicles) per \$100 of assessed value, and continued the 3% utility tax.

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) government-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 government-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.

**FRANKLIN COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

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 is 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. There are proprietary funds for food service and the after school program. All other activities of the district are included in the governmental funds.

The basic fund financial statements can be found on pages 10-15 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 government-wide and fund financial statements. The notes to the financial statements can be found on pages 16-49 of this report.

DISTRICT-WIDE FINANCIAL ANALYSIS

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 may serve over time as a useful indicator of a government's financial position. The change in the net position during the 2019 fiscal year, after allowing for the recognition of the pension and OPEB liabilities, was \$790,835.

The District's net position reflects \$35.66 million of net investment in capital assets (capital assets less any 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.

**FRANKLIN COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

Net position as of June 30, 2019 and June 30, 2018:

	Governmental Activities	Business-type Activities	Total Primary Government June 30, 2019	Total Primary Government June 30, 2018
Current Assets	\$ 17,837,648	\$ 921,591	\$ 18,759,239	\$ 16,370,121
Noncurrent Assets	<u>105,298,296</u>	<u>304,318</u>	<u>105,602,614</u>	<u>95,726,238</u>
Total Assets	123,135,944	1,225,909	124,361,853	112,096,359
Deferred outflows of resources	6,460,513	1,355,673	7,816,186	8,871,930
Defeasance on refunding	<u>1,155,415</u>	<u>-</u>	<u>1,155,415</u>	<u>1,370,470</u>
Total Assets and Deferred outflows	<u>130,751,872</u>	<u>2,581,582</u>	<u>133,333,454</u>	<u>122,338,759</u>
Current Liabilities	10,635,021	62,530	10,697,551	7,357,223
Noncurrent Liabilities	<u>106,140,818</u>	<u>5,958,168</u>	<u>112,098,986</u>	<u>106,962,344</u>
Total Liabilities	<u>116,775,839</u>	<u>6,020,698</u>	<u>122,796,537</u>	<u>114,319,567</u>
Deferred inflows of resources	<u>2,428,430</u>	<u>370,019</u>	<u>2,798,449</u>	<u>1,071,559</u>
Net invested in capital assets	35,359,817	304,318	35,664,135	31,171,312
Restricted	7,568,416	(4,113,453)	3,454,963	7,197,974
Unrestricted Fund Balance	<u>(31,380,630)</u>	<u>-</u>	<u>(31,380,630)</u>	<u>(31,421,653)</u>
Total Net Position	<u>\$ 11,547,603</u>	<u>\$ (3,809,135)</u>	<u>\$ 7,738,468</u>	<u>\$ 6,947,633</u>

The following table presents a summary of revenue and expenses for the fiscal year ended June 30, 2019 and 2018

	Governmental	Business-type	Total Primary Government 2019	Total Primary Government 2018
Revenues				
Local Revenue Sources	\$ 29,492,247	\$ -	\$ 29,492,247	\$ 28,409,042
State Revenue Sources	40,145,761	412,832	40,558,593	40,500,572
Federal Revenue Sources	3,268,579	2,484,653	5,753,232	5,739,101
Investments	650,708	4,579	655,287	414,160
Lunchroom sales	-	362,041	362,041	375,757
Other	<u>-</u>	<u>1,575,692</u>	<u>1,575,692</u>	<u>1,509,639</u>
Total Revenues	73,557,295	4,839,797	78,397,092	76,948,271
Expenses				
Instruction	43,711,473	-	43,711,473	42,554,817
Student Support Services	3,621,835	-	3,621,835	3,393,794
Instructional Support	3,982,357	-	3,982,357	3,807,931
District Administration	1,745,802	-	1,745,802	1,500,812
School Administration	4,640,862	-	4,640,862	4,773,056
Business Support	1,107,429	-	1,107,429	1,101,916
Plant Operations	5,984,168	-	5,984,168	6,068,810
Student Transportation	4,765,590	-	4,765,590	4,860,740
Community Services	589,098	-	589,098	559,647
Food Service	-	3,402,453	3,402,453	3,451,610
After School	-	1,916,349	1,916,349	2,049,663
Interest	2,362,344	-	2,362,344	2,104,346
Other	<u>165,406</u>	<u>-</u>	<u>165,406</u>	<u>251,669</u>
Total Expenses	72,676,364	5,318,802	77,995,166	76,478,811
Extraordinary item - insurance	379,441	-	379,441	-
Gain (Loss) on sale of assets	9,468	-	9,468	24,410
Transfers in (out)	<u>(10,476)</u>	<u>10,476</u>	<u>-</u>	<u>23,075</u>
Change in net position	<u>\$ 1,259,364</u>	<u>\$ (468,529)</u>	<u>\$ 790,835</u>	<u>\$ 516,945</u>

The government's overall financial position and results of operations increased as a result of the year's operations as reflected in the increase in net position for the year.

**FRANKLIN COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

FUND FINANCIAL ANALYSIS

Analysis of balances and transactions of individual funds

Fund	Beginning	Revenues	Expenses	Transfer / Other	Ending
General Fund	\$ 11,050,410	\$ 61,142,248	\$ 59,820,425	\$ 31,846	\$ 12,404,079
Special Revenue	\$ 381,298	\$ 5,573,135	\$ 6,051,103	\$ 269,881	\$ 173,211
Construction	\$ 7,895,393	\$ 73,514	\$ 14,009,406	\$ 10,860,444	\$ 4,819,945
Debt Service	\$ 165,499	\$ 1,230,532	\$ 6,016,890	\$ 4,620,859	\$ -
Capital Outlay	\$ 821,254	\$ 576,298	\$ -	\$ (521,329)	\$ 876,223
Building	\$ 1,681,475	\$ 4,766,492	\$ -	\$ (5,080,951)	\$ 1,367,016
District Activity	\$ 204,884	\$ 195,073	\$ 225,337	\$ -	\$ 174,620

BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1 - June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district overall budget. By law the budget must have a minimum 2% contingency. The district adopted a budget for 2018-2019 with \$9,623,269 in contingency.

Comments on Budget Comparisons

The original budget was amended to reflect various needs of the district that arose after the working budget was approved, and to adjust for the anticipated revenues once more accurate data was available.

INFRASTRUCTURE

The District has not reported any infrastructure in the current financial statements.

CAPITAL ASSETS AND LONG-TERM DEBT

Governmental	Beginning	Additions	Deductions	Ending
Capital Assets	\$ 143,755,478	\$ 15,815,745	\$ 878,958	\$ 158,692,265
Accumulated Depreciation	\$ 57,316,972	\$ 3,837,419	\$ 437,046	\$ 60,717,345
Business-Type				
Capital Assets	\$ 1,661,032	\$ 13,887	\$ 5,796	\$ 1,669,123
Accumulated Depreciation	\$ 1,325,598	\$ 45,003	\$ 5,796	\$ 1,364,805
Governmental				
Bonds Payable	\$ 62,710,000	\$ 9,580,000	\$ 4,120,000	\$ 68,170,000
KISTA Lease Payable	\$ 2,874,880	\$ 315,639	\$ 437,350	\$ 2,753,169
Capital Lease Payable	\$ 38,013	\$ -	\$ 38,013	\$ -
Compensated absences	\$ 160,078	\$ 154,723	\$ -	\$ 314,801
KSBIT	\$ 103,403	\$ -	\$ -	\$ 103,403
Premium on Bonds	\$ 418,352	\$ -	\$ 49,218	\$ 369,134
Discount on Bonds	\$ (115,849)	\$ (93,324)	\$ (10,764)	\$ (198,409)

**FRANKLIN COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

CURRENT ISSUES

For 2018-2019 the board approved a 4% tax increase above the compensating rate plus the \$0.001 exoneration recovery rate for real estate and tangible property of 71.5 cents per \$100 of assessed value. The compensating tax rate is the rate which applied to the current year's tax assessment of property produces an amount of revenue approximately equal to that produced in the preceding year.

Contacting the District's Financial Management

Questions regarding this report should be directed to Shane Smith, Finance Officer
190 Kings Daughters Drive Bldg. 300, Frankfort, KY 40601 (502-) 695-6700.

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives.

FRANKLIN COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 15,821,980	\$ 787,678	\$ 16,609,658
Accounts receivable	2,015,668	60,447	2,076,115
Inventory	-	73,466	73,466
Total current assets	<u>17,837,648</u>	<u>921,591</u>	<u>18,759,239</u>
Noncurrent assets			
Restricted cash and cash equivalents	7,323,376	-	7,323,376
Land and construction in progress	24,550,436	-	24,550,436
Other capital assets, net of depreciation	73,424,484	304,318	73,728,802
Total noncurrent assets	<u>105,298,296</u>	<u>304,318</u>	<u>105,602,614</u>
Total assets	<u>123,135,944</u>	<u>1,225,909</u>	<u>124,361,853</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pension - CERS	3,847,181	960,538	4,807,719
Deferred outflows - OPEB - CERS	1,605,957	395,135	2,001,092
Deferred outflows - OPEB - KTRS	1,007,375	-	1,007,375
Defeasance on refunding	1,155,415	-	1,155,415
Total deferred outflows of resources	<u>7,615,928</u>	<u>1,355,673</u>	<u>8,971,601</u>
Total assets and deferred outflows of resources	<u>\$ 130,751,872</u>	<u>\$ 2,581,582</u>	<u>\$ 133,333,454</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 2,072,501	\$ 13,826	\$ 2,086,327
Accrued salaries and benefits payable	1,389,756	48,704	1,438,460
Construction retainage payable	1,120,304	-	1,120,304
Unearned revenues	763,369	-	763,369
Interest payable	681,441	-	681,441
KSBIT assessment - current	68,935	-	68,935
KISTA lease - current	458,715	-	458,715
Bond obligations - current	4,080,000	-	4,080,000
Total current liabilities	<u>10,635,021</u>	<u>62,530</u>	<u>10,697,551</u>
Noncurrent liabilities			
Compensated absences	314,801	-	314,801
KSBIT assessment - noncurrent	34,468	-	34,468
Capital lease - noncurrent	2,294,454	-	2,294,454
Bond obligations - noncurrent	64,260,725	-	64,260,725
Net pension liability - CERS	18,638,228	4,618,452	23,256,680
Net OPEB liability - CERS	5,439,937	1,339,716	6,779,653
Net OPEB liability - KTRS	15,158,205	-	15,158,205
Total noncurrent liabilities	<u>106,140,818</u>	<u>5,958,168</u>	<u>112,098,986</u>
Total liabilities	<u>116,775,839</u>	<u>6,020,698</u>	<u>122,796,537</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pension - CERS	497,666	121,625	619,291
Deferred inflows - OPEB - CERS	1,038,643	248,394	1,287,037
Deferred inflows - OPEB - KTRS	892,121	-	892,121
Total deferred inflows of resources	<u>2,428,430</u>	<u>370,019</u>	<u>2,798,449</u>
NET POSITION			
Net investment in capital assets	35,359,817	304,318	35,664,135
Restricted for			
Compensated absences	157,401	-	157,401
Grants	173,211	-	173,211
Food service	-	(2,022,882)	(2,022,882)
After school	-	(2,090,571)	(2,090,571)
KSFCC escrow	880,193	-	880,193
SFCC escrow	1,363,046	-	1,363,046
Other	174,620	-	174,620
Future construction	4,819,945	-	4,819,945
Unrestricted	<u>(31,380,630)</u>	<u>-</u>	<u>(31,380,630)</u>
Total net position	<u>11,547,603</u>	<u>(3,809,135)</u>	<u>7,738,468</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 130,751,872</u>	<u>\$ 2,581,582</u>	<u>\$ 133,333,454</u>

The accompanying notes are an integral part
of the financial statements.

**FRANKLIN COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
for the year ended June 30, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities							
Instruction	\$ 43,711,474	\$ 35,904	\$ 3,446,296	\$ 108,465	\$ (40,120,809)	\$ -	\$ (40,120,809)
Support Services:							
Student	3,621,834	-	414,648	-	(3,207,186)	-	(3,207,186)
Instruction staff	3,982,357	-	949,216	-	(3,033,141)	-	(3,033,141)
District administrative	1,745,802	-	-	-	(1,745,802)	-	(1,745,802)
School administrative	4,640,862	-	122,204	-	(4,518,658)	-	(4,518,658)
Business	1,107,429	-	6,553	-	(1,100,876)	-	(1,100,876)
Plant operation and maintenance	5,984,168	-	43,562	-	(5,940,606)	-	(5,940,606)
Student transportation	4,765,590	-	3,487	-	(4,762,103)	-	(4,762,103)
Community service activities	589,098	-	478,706	-	(110,392)	-	(110,392)
Interest on long-term debt	2,362,344	-	-	208,183	(2,154,161)	-	(2,154,161)
Bond issuance cost	165,406	-	-	-	(165,406)	-	(165,406)
Total governmental activities	<u>72,676,364</u>	<u>35,904</u>	<u>5,464,672</u>	<u>316,648</u>	<u>(66,859,140)</u>	<u>-</u>	<u>(66,859,140)</u>
Business-type activities							
Food service	3,402,453	362,229	2,892,864	-	-	(147,360)	(147,360)
After school programs	1,916,349	1,394,767	185,358	-	-	(336,224)	(336,224)
Total business-type activities	<u>5,318,802</u>	<u>1,756,996</u>	<u>3,078,222</u>	<u>-</u>	<u>-</u>	<u>(483,584)</u>	<u>(483,584)</u>
Total school district	<u>\$ 77,995,166</u>	<u>\$ 1,792,900</u>	<u>\$ 8,542,894</u>	<u>\$ 316,648</u>	<u>(66,859,140)</u>	<u>(483,584)</u>	<u>(67,342,724)</u>

General revenues

Taxes:			
Property taxes	23,862,504	-	23,862,504
Motor vehicle taxes	2,015,251	-	2,015,251
Utility taxes	3,071,768	-	3,071,768
State aid-formula grants	37,686,301	-	37,686,301
Investment earnings	650,708	4,579	655,287
Miscellaneous	453,539	-	453,539
Total general revenues	67,740,071	4,579	67,744,650
Extraordinary item - insurance reimbursement	379,441	-	379,441
Operating transfers in (out)	(10,476)	10,476	-
Gain on sale of assets	9,468	-	9,468
Change in Net Position	1,259,364	(468,529)	790,835
Net position-beginning, as restated	<u>10,288,239</u>	<u>(3,340,606)</u>	<u>6,947,633</u>
NET POSITION-ENDING	\$ 11,547,603	\$ (3,809,135)	\$ 7,738,468

The accompanying notes are an integral part of the financial statements.

**FRANKLIN COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 12,764,278	\$ 641,404	\$ 7,323,376	\$ 2,416,298	\$ 23,145,356
Other receivables	1,565,876	446,788	-	3,004	2,015,668
Total assets	<u>\$ 14,330,154</u>	<u>\$ 1,088,192</u>	<u>\$ 7,323,376</u>	<u>\$ 2,419,302</u>	<u>\$ 25,161,024</u>
LIABILITIES					
Accounts payable	\$ 547,926	\$ 140,005	\$ 1,383,127	\$ 1,443	\$ 2,072,501
Accrued salaries and benefits	1,378,149	11,607	-	-	1,389,756
Construction retainage payable	-	-	1,120,304	-	1,120,304
Unearned revenues	-	763,369	-	-	763,369
Total liabilities	<u>1,926,075</u>	<u>914,981</u>	<u>2,503,431</u>	<u>1,443</u>	<u>5,345,930</u>
FUND BALANCES					
Restricted					
Compensated absences	157,401	-	-	-	157,401
Grants	-	173,211	-	-	173,211
KSFCC escrow	-	-	-	880,193	880,193
SFCC escrow	-	-	-	1,363,046	1,363,046
Other	-	-	-	174,620	174,620
Future construction	-	-	4,819,945	-	4,819,945
Assigned	724,337	-	-	-	724,337
Unassigned	11,522,341	-	-	-	11,522,341
Total fund balances	<u>12,404,079</u>	<u>173,211</u>	<u>4,819,945</u>	<u>2,417,859</u>	<u>19,815,094</u>
Total liabilities and fund balances	<u>\$ 14,330,154</u>	<u>\$ 1,088,192</u>	<u>\$ 7,323,376</u>	<u>\$ 2,419,302</u>	<u>\$ 25,161,024</u>

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

Fund balances reported above	\$ 19,815,094
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	97,974,920
Interest accrued on general long term debt is not a current expenditure and is not reported in the funds.	(681,441)
Net deferred inflows/outflows related to the long-term net pension and OPEB liabilities are not reported in the funds.	4,032,082
Long-term liabilities, including bond obligations, KSBIT assessment, net pension liability, net OPEB liability, capital leases and compensated absences are not due and payable in the current period and therefore are not reported in the funds.	<u>(109,593,052)</u>
Net position of governmental activities	<u>\$ 11,547,603</u>

The accompanying notes are an integral part of the financial statements.

FRANKLIN COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
for the year ended June 30, 2019

	<u>General</u>	<u>Special Revenue Fund</u>	<u>Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
From local sources					
Property taxes	\$ 20,180,220	\$ -	\$ -	\$ 3,682,284	\$ 23,862,504
Motor vehicle taxes	2,015,251	-	-	-	2,015,251
Utility taxes	3,071,768	-	-	-	3,071,768
Earnings on investments	577,194	-	73,514	-	650,708
Tuition	35,904	-	-	-	35,904
Other local revenues	243,478	53,279	-	210,060	506,817
Intergovernmental - State	34,924,334	2,345,376	-	2,876,051	40,145,761
Intergovernmental - Federal	94,099	3,174,480	-	-	3,268,579
Total revenues	<u>61,142,248</u>	<u>5,573,135</u>	<u>73,514</u>	<u>6,768,395</u>	<u>73,557,292</u>
EXPENDITURES					
Instruction	35,929,547	3,748,024	-	159,934	39,837,505
Support services					
Student	3,139,766	450,854	-	-	3,590,620
Instructional staff	2,745,375	1,032,100	-	65,403	3,842,878
District administration	1,716,518	-	-	-	1,716,518
School administration	4,299,480	132,874	-	-	4,432,354
Business	1,019,636	7,125	-	-	1,026,761
Plant operation and maintenance	5,263,878	47,365	-	-	5,311,243
Student transportation	3,743,443	3,791	-	-	3,747,234
Community service activities	35,964	520,505	-	-	556,469
Capital outlay	1,421,361	108,465	13,844,000	-	15,373,826
Debt service	505,456	-	-	6,016,890	6,522,346
Bond issue costs	-	-	165,406	-	165,406
Total expenditures	<u>59,820,424</u>	<u>6,051,103</u>	<u>14,009,406</u>	<u>6,242,227</u>	<u>86,123,160</u>
Excess (deficiency) of revenues over expenditures	<u>1,321,824</u>	<u>(477,968)</u>	<u>(13,935,892)</u>	<u>526,168</u>	<u>(12,565,868)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from capital lease	315,639	-	-	-	315,639
Proceeds from bond issuance	-	-	9,580,000	-	9,580,000
Proceeds from sale of assets	9,468	-	-	-	9,468
Bond issue discount	-	-	(93,324)	-	(93,324)
Operating transfers in	111,649	269,881	1,373,768	4,620,859	6,376,157
Operating transfers out	(784,352)	-	-	(5,602,280)	(6,386,632)
Total other financing sources and uses	<u>(347,596)</u>	<u>269,881</u>	<u>10,860,444</u>	<u>(981,421)</u>	<u>9,801,308</u>
EXTRAORDINARY ITEM - INSURANCE	379,441	-	-	-	379,441
Net change in fund balances	1,353,669	(208,087)	(3,075,448)	(455,253)	(2,385,119)
Fund balances-beginning, as restated	<u>11,050,410</u>	<u>381,298</u>	<u>7,895,393</u>	<u>2,873,112</u>	<u>22,200,213</u>
Fund balances-ending	<u>\$ 12,404,079</u>	<u>\$ 173,211</u>	<u>\$ 4,819,945</u>	<u>\$ 2,417,859</u>	<u>\$ 19,815,094</u>
Reconciliation to government-wide change in net position:					
Net change in fund balances					\$ (2,385,119)
add: capital outlay expenditures capitalized					15,373,826
add: debt service expenditures					6,522,346
add: gain on disposal of capital assets					9,468
add: discount on bond issuance					93,324
add: change in long term compensated absences					(154,724)
less: proceeds from sale of capital assets					(9,468)
less: change in net pension liability					(1,821,929)
less: change in net OPEB liability					(272,958)
less: proceeds from capital lease					(315,639)
less: proceeds from bonds					(9,580,000)
less: depreciation on governmental activities assets					(3,837,419)
less: interest on long term debt					(2,362,344)
Change in net position governmental activities					<u>\$ 1,259,364</u>

The accompanying notes are an integral part
of the financial statements.

FRANKLIN COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2019

	<u>Food Service Fund</u>	<u>After School Programs Fund</u>	<u>Totals</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 569,699	\$ 217,979	\$ 787,678
Accounts receivable	43,869	16,578	60,447
Inventory	<u>73,466</u>	<u>-</u>	<u>73,466</u>
Total current assets	<u>687,034</u>	<u>234,557</u>	<u>921,591</u>
Noncurrent assets			
Capital assets, net of depreciation	<u>304,318</u>	<u>-</u>	<u>304,318</u>
Total assets	<u>991,352</u>	<u>234,557</u>	<u>1,225,909</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pension - CERS	522,568	437,970	960,538
Deferred outflows - OPEB - CERS	<u>209,780</u>	<u>185,355</u>	<u>395,135</u>
Total deferred outflows of resources	<u>732,348</u>	<u>623,325</u>	<u>1,355,673</u>
Total assets and deferred outflows of resources	<u>\$ 1,723,700</u>	<u>\$ 857,882</u>	<u>\$ 2,581,582</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 4,559	\$ 9,267	\$ 13,826
Accrued salaries and benefits	<u>8,329</u>	<u>40,375</u>	<u>48,704</u>
Total current liabilities	<u>12,888</u>	<u>49,642</u>	<u>62,530</u>
Noncurrent liabilities			
Net pension liability - CERS	2,520,281	2,098,171	4,618,452
Net OPEB liability - CERS	<u>711,006</u>	<u>628,710</u>	<u>1,339,716</u>
Total noncurrent liabilities	<u>3,231,287</u>	<u>2,726,881</u>	<u>5,958,168</u>
Total liabilities	<u>3,244,175</u>	<u>2,776,523</u>	<u>6,020,698</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pension - CERS	64,741	56,884	121,625
Deferred inflows - OPEB - CERS	<u>133,348</u>	<u>115,046</u>	<u>248,394</u>
Total deferred inflows of resources	<u>198,089</u>	<u>171,930</u>	<u>370,019</u>
NET POSITION			
Net investment in capital assets	304,318	-	304,318
Restricted net position	<u>(2,022,882)</u>	<u>(2,090,571)</u>	<u>(4,113,453)</u>
Total net position	<u>(1,718,564)</u>	<u>(2,090,571)</u>	<u>(3,809,135)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 1,723,700</u>	<u>\$ 857,882</u>	<u>\$ 2,581,582</u>

The accompanying notes are an integral part
of the financial statements.

**FRANKLIN COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
for the year ended June 30, 2019**

	Food Service Fund	After School Programs Fund	Totals
Operating revenues			
Lunchroom sales	\$ 362,041	\$ -	\$ 362,041
Other revenues	188	1,394,767	1,394,955
Total operating revenues	<u>362,229</u>	<u>1,394,767</u>	<u>1,756,996</u>
Operating expenses			
Salaries and wages	1,872,890	1,662,906	3,535,796
Contract services	72,495	110,885	183,380
Materials and supplies	1,401,591	95,811	1,497,402
Other expenses	10,474	46,747	57,221
Depreciation	45,003	-	45,003
Total operating expenses	<u>3,402,453</u>	<u>1,916,349</u>	<u>5,318,802</u>
Operating (loss)	<u>(3,040,224)</u>	<u>(521,582)</u>	<u>(3,561,806)</u>
Nonoperating revenues			
Federal grants	2,484,653	-	2,484,653
Commodities received	180,736	-	180,736
State grants	26,734	-	26,734
State on-behalf payments	200,741	185,358	386,099
Interest income	4,579	-	4,579
Operating transfers in	-	10,476	10,476
Total nonoperating revenue	<u>2,897,443</u>	<u>195,834</u>	<u>3,093,277</u>
Change in net position	(142,781)	(325,748)	(468,529)
Total net position-beginning of year	<u>(1,575,783)</u>	<u>(1,764,823)</u>	<u>(3,340,606)</u>
TOTAL NET POSITION-ENDING	<u>\$ (1,718,564)</u>	<u>\$ (2,090,571)</u>	<u>\$ (3,809,135)</u>

The accompanying notes are an integral part
of the financial statements.

FRANKLIN COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
for the year ended June 30, 2019

	Food Service Fund	After School Programs Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 363,220	\$ 1,417,590	\$ 1,780,810
Cash paid to employees, including benefits	(1,413,859)	(1,256,858)	(2,670,717)
Cash paid to suppliers	(1,339,758)	(213,293)	(1,553,051)
Net cash (used) by operating activities	<u>(2,390,397)</u>	<u>(52,561)</u>	<u>(2,442,958)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Cash received from government funding	2,511,387	-	2,511,387
Transfers (to) from other funds	<u>-</u>	<u>10,476</u>	<u>10,476</u>
Net cash provided by noncapital financing activities	<u>2,511,387</u>	<u>10,476</u>	<u>2,521,863</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	<u>(13,887)</u>	<u>-</u>	<u>(13,887)</u>
Net cash (used) by capital and related financing activities	<u>(13,887)</u>	<u>-</u>	<u>(13,887)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	<u>4,579</u>	<u>-</u>	<u>4,579</u>
Net cash provided by investing activities	<u>4,579</u>	<u>-</u>	<u>4,579</u>
Net increase (decrease) in cash and cash equivalents	111,682	(42,085)	69,597
Balances-beginning of the year	<u>458,017</u>	<u>260,064</u>	<u>718,081</u>
BALANCES-END OF THE YEAR	<u>\$ 569,699</u>	<u>\$ 217,979</u>	<u>\$ 787,678</u>
Reconciliation of operating (loss) to net cash (used) by operating activities:			
Operating (loss)	\$ (3,040,224)	\$ (521,582)	\$ (3,561,806)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:			
Depreciation expense	45,003	-	45,003
Net change in pension liability	232,318	198,499	430,817
Net change in OPEB liability	25,972	22,191	48,163
Donated commodities	180,736	-	180,736
On-behalf payments	200,741	185,358	386,099
Change in assets and liabilities			
Decrease in inventory	(40,978)	-	(40,978)
(Increase) decrease in accounts receivable	991	22,823	23,814
Increase (decrease) in accrued salaries and benefits	8,329	40,375	48,704
Increase (decrease) in accounts payable	<u>(3,285)</u>	<u>(225)</u>	<u>(3,510)</u>
Net cash (used) by operating activities	<u>\$ (2,390,397)</u>	<u>\$ (52,561)</u>	<u>\$ (2,442,958)</u>
Schedule of non-cash activities			
Donated commodities received from federal government	<u>\$ 180,736</u>	<u>\$ -</u>	<u>\$ 180,736</u>
On-behalf payments received from the state government	<u>\$ 200,741</u>	<u>\$ 185,358</u>	<u>\$ 386,099</u>

The accompanying notes are an integral part
of the financial statements.

**FRANKLIN COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2019**

	<u>SCHOOL ACTIVITY FUNDS</u>
ASSETS	
Cash and cash equivalents	\$ 460,841
Total assets	<u>\$ 460,841</u>
LIABILITIES	
Due to student groups	<u>\$ 460,841</u>
NET POSITION	
Restricted	<u>-</u>
Total liabilities and net position	<u>\$ 460,841</u>

The accompanying notes are an integral part
of the financial statements.

FRANKLIN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Franklin County Board of Education (the Board), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Franklin County School District (the District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards as Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Franklin County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the District itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the Board include those of separately administered organizations that are controlled by or are dependent on the District. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization is included in the accompanying financial statements:

Franklin County School District Finance Corporation (the Corporation)

The Franklin County Board of Education has established 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 Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Franklin County Board of Education also comprise the Corporation's Board of Directors.

B. 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 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 reconciliations with brief explanations to better identify the relationship between the district-wide statements and the statements for governmental funds.

**FRANKLIN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation, continued

District-wide Financial Statements, continued

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 function. Program revenues include charges paid by the recipient of the goods or services offered by the 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 segment 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 proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are 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 total fund balance. 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.

The District has the following funds:

Governmental Fund Types:

General Fund – The primary operating fund of the District. It accounts for and reports all financial resources not accounted for and reported in another fund. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.

Special revenue funds –The District has the following special revenue funds:

Special Revenue Fund – This major fund accounts for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report.

District Activity Fund – This is a non-major fund of the District and accounts for district activity funds that are legally restricted to expenditure for specified purposes imposed by external parties, enabling legislation, or by board action.

FRANKLIN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation, continued

Capital Project Funds – Capital project funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital project funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan. This is a non-major fund for the District

The Facility Support Program of Kentucky (FSPK) Fund 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, where applicable. Funds may be used for projects identified in the District's facility plan. This is a non-major fund for the District

The Construction Fund accounts for activities arising from authorized construction and/or renovation projects. This is a major fund for the District.

Debt Service Fund – The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest on long-term debt. Debt service funds are used to report resources if legally mandated. Financial resources that are being accumulated for principal and interest maturing in future years are reported in debt service funds. This is a non-major fund for the District.

Proprietary Funds (Enterprise Fund):

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). This is a major fund for the District.

The After School Program Fund is used to account for after school program revenues and related expenses.

Fiduciary Fund Type (Agency Funds):

The School Activity Funds are agency funds that account for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.

C. Basis of Accounting

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

FRANKLIN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting, continued

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

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

Unearned Revenue – Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met, are recorded as unearned revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

D. Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

E. Prepaid Assets

Payments made that will benefit periods beyond June 30, 2019 are recorded as prepaid items using the consumption method. Prepaid assets are only recorded if material to the financial statements.

F. Inventories

On District-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 an expenditure 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.

FRANKLIN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Taxes

Property Tax Revenues

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.

The property tax rates assessed for the year ended June 30, 2019, to finance operations were \$.695 per \$100 valuation for real property, \$.695 per \$100 valuation for business personal property and \$.510 per \$100 valuation for motor vehicles.

Utility Tax Revenues

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the District, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

H. Fund Balance Classification Policies and Procedures

Nonspendable Fund Balance – Amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact will be classified as nonspendable fund balance.

Restricted Fund Balance – Fund balance will be reported as restricted when constraints placed on the use of resources are either; (a) externally imposed by creditors, grantors, contributors, or laws or regulations or other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Education will be reported as committed fund balance.

Assigned Fund Balance – Amounts that have been assigned for a specific purpose by formal resolution of the Board of Education will be reported as assigned fund balance.

Unassigned Fund Balance – The residual classification for the General Fund or the negative fund balance of any other governmental fund.

When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, the funds will first be spent from restricted, then committed, then assigned, and then finally unassigned.

FRANKLIN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Interfund Balances

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

J. Capital Assets

General 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 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 asset’s life are not.

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

Description	Estimated Lives
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

K. Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

FRANKLIN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Accumulated Unpaid Sick Leave Benefits, continued

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accumulated sick leave payable" in the General Fund. The noncurrent portion of the liability is not reported.

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the district-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

M. 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 (CERS) and Teachers' Retirement System of the State of Kentucky (TRS) and additions to/deductions from CERS's and TRS's fiduciary net position have been determined on the same basis as they are reported by CERS and TRS. For this purpose, benefit payments, including refunds of employee contributions are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

N. Postemployment Benefits Other Than Pensions (OPEB)

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

FRANKLIN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools and collections for services such as after school fees. All other revenues are considered to be non-operating.

Q. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

R. Construction Retainage Payables

Construction retainage payables reflect amounts due to contractors for work on construction projects, which were incurred but unpaid at year end. The liability includes amount held by the District for retainage, which is to be paid upon completion of the construction projects.

S. Interfund Activity

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

**FRANKLIN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Budgetary Process

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings.

Each budget is prepared and controlled by the finance officer at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

U. Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles of the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

V. Management's Review of Subsequent Events

The District has evaluated and considered the need to recognize or disclose subsequent events through December 12, 2019, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2019, have not been evaluated by the District.

2. PROPERTY TAX CALENDAR

Property taxes for fiscal year 2019 were levied on the assessed valuation of property located in the School District as of January 1, 2018 lien date. The due date and collection periods for all taxes exclusive of vehicle taxes are as follows:

Description	Date per KRS 134.015
Due date for payment of taxes	Upon receipt
Face value amount payment date	December 31
Delinquent date, 5% penalty	January 1
Delinquent date, 10% penalty	February 1

Vehicle taxes are collected by the County Clerk and are due and collected in the birth month of the vehicle's licensee.

3. CASH AND CASH EQUIVALENTS

Interest rate risk – In accordance with the District's investment policy, interest rate risk is limited by investing in public funds with the highest rate of return with the maximum security of principal. Investments are undertaken in a manner that seeks to ensure preservation of the capital in its portfolio.

Credit risk – The District's investment policy limits the types of authorized investment instruments to obligations of the United States, its agencies, and instrumentalities. In addition, certificates of deposit or bonds of a bank or the Commonwealth of Kentucky, securities issued by a state or local government or shares of mutual funds are acceptable investments.

**FRANKLIN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

3. CASH AND CASH EQUIVALENTS (CONTINUED)

Concentration of credit risk – The District may invest, at any one time, funds in any one of the above listed categories with no limitation of the total amount of funds invested on behalf of the District.

Custodial credit risk – For deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned. The District maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As allowed by law the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times.

At year end, the bank balances of the District's total cash and cash equivalents was \$26,559,981. Of the total cash balance, \$250,000 was covered by Federal Depository insurance, and the remainder was covered by collateral agreements and collateral held by pledging banks' trust department in the District's name. The District had a FHLB letter of credit pledged at June 30, 2019 for \$33,300,000 in addition to pledged securities held in the District's name of \$1,654,571.

Cash and cash equivalents at June 30, 2019, consisted of the following:

	Bank Balance	Book Balance
General checking account:		
General Fund		\$ 12,764,278
Special Revenue Fund		641,404
District Activity Fund		173,059
SEEK Capital Outlay Fund		876,223
FSPK Building Fund		1,367,016
Construction Fund		7,323,376
Debt Service Fund		-
Food Service Fund		569,699
After School Program Fund		<u>217,979</u>
Total general checking account	\$ 26,078,823	23,933,034
Fiduciary Funds – School Activity	<u>481,158</u>	<u>460,841</u>
Total	<u>\$ 26,559,981</u>	<u>\$ 24,393,875</u>
Governmental Funds		\$ 23,145,356
Proprietary Funds		787,678
Fiduciary Funds		<u>460,841</u>
Total		<u>\$ 24,393,875</u>

4. ACCOUNTS RECEIVABLE

There was no allowance for uncollectible accounts at June 30, 2019. Receivables at year end for the District's major individual funds and nonmajor funds in the aggregate are as follows:

	General	Special Revenue	Other Governmental	Total
Governmental activities:				
Taxes	\$ 807,295	\$ -	\$ -	\$ 807,295
Intergovernmental	-	446,788	-	446,788
Other	<u>758,581</u>	<u>-</u>	<u>3,004</u>	<u>761,585</u>
Total	<u>\$ 1,565,876</u>	<u>\$ 446,788</u>	<u>\$ 3,004</u>	<u>\$ 2,015,668</u>

**FRANKLIN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

4. ACCOUNTS RECEIVABLE (CONTINUED)

Business-type activities:	Food Service	After School Program	Total
Intergovernmental	<u>\$ 43,869</u>	<u>\$ 16,578</u>	<u>\$ 60,447</u>

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

<u>Governmental activities</u>	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Capital assets not being depreciated:				
Land	\$ 1,738,545	\$ -	\$ -	\$ 1,738,545
Construction in progress	<u>9,782,788</u>	<u>13,471,015</u>	<u>(441,912)</u>	<u>22,811,891</u>
Total	<u>11,521,333</u>	<u>13,471,015</u>	<u>(441,912)</u>	<u>24,550,436</u>
Capital assets being depreciated:				
Land improvements	3,590,716	111,031	-	3,701,747
Buildings and improvements	115,007,811	1,406,690	-	116,414,501
Technology equipment	3,568,871	123,958	(158,490)	3,534,339
Vehicles	7,690,915	343,466	(278,556)	7,755,825
General equipment	<u>2,375,832</u>	<u>359,585</u>	<u>-</u>	<u>2,735,417</u>
Total	<u>132,234,145</u>	<u>2,344,730</u>	<u>(437,046)</u>	<u>134,141,829</u>
Total capital assets	<u>143,755,478</u>	<u>15,815,745</u>	<u>(878,958)</u>	<u>158,692,265</u>
Less: accumulated depreciation				
Land improvements	2,783,008	110,090	-	2,893,098
Buildings and improvements	44,746,980	2,983,257	-	47,730,237
Technology equipment	3,346,581	80,232	(158,490)	3,268,323
Vehicles	4,684,963	531,183	(278,556)	4,937,590
General equipment	<u>1,755,440</u>	<u>132,657</u>	<u>-</u>	<u>1,888,097</u>
Total accumulated depreciation	<u>57,316,972</u>	<u>3,837,419</u>	<u>(437,046)</u>	<u>60,717,345</u>
Governmental activities capital assets, net	<u>\$ 86,438,506</u>	<u>\$ 11,978,326</u>	<u>\$ (441,912)</u>	<u>\$ 97,974,920</u>

Construction in Progress additions for fiscal year 2019 include \$4,840,098 of costs related to the construction of the new Collins Lane Elementary School and \$7,615,694 of costs related to the HVAC replacement project.

**FRANKLIN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

5. CAPITAL ASSETS (CONTINUED)

<u>Business-type Activities</u>	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Capital assets being depreciated:				
Technology equipment	\$ 45,323	\$ -	\$ -	\$ 45,323
Vehicles	49,973	-	-	49,973
Machinery and equipment	<u>1,565,736</u>	<u>13,887</u>	<u>(5,796)</u>	<u>1,573,827</u>
Total capital assets	<u>1,661,032</u>	<u>13,887</u>	<u>(5,796)</u>	<u>1,669,123</u>
Less: accumulated depreciation				
Technology equipment	38,782	2,066	-	40,848
Vehicles	32,477	4,285	-	36,762
Machinery and equipment	<u>1,254,339</u>	<u>38,652</u>	<u>(5,796)</u>	<u>1,287,195</u>
Total accumulated depreciation	<u>1,325,598</u>	<u>45,003</u>	<u>(5,796)</u>	<u>1,364,805</u>
Business-type activities capital assets, net	<u>\$ 335,434</u>	<u>\$ (31,116)</u>	<u>\$ -</u>	<u>\$ 304,318</u>

Depreciation expense was charged to functions of the governmental activities as follows:

Instruction	\$ 3,056,882
Support Services:	
Student	8,130
Instructional staff	47,891
District administration	138
School administration	446
Plant operations and maintenance	213,854
Student transportation	509,162
Community services	916
Total	<u>\$ 3,837,419</u>

6. LONG TERM DEBT

Compensated Absences

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. At June 30, 2019, this amount totaled \$314,801, of which \$157,401 is restricted in the current year fund balance of the General Fund.

KSBIT

During a prior fiscal year, the District was notified that the Kentucky School Board Insurance Trust (KSBIT) would be dissolving as the self-insurance provider for school districts in Kentucky. On July 17, 2014, the Franklin Circuit Court issued an order informing the former members of the Kentucky School Board Insurance Trust Workers' Compensation Fund that they would be assessed a portion of the fund's unfunded liability. The District elected to pay their assessment in accordance with the following schedule:

June 30,	
2020	\$ 68,935
2021	<u>34,468</u>
Total payments	<u>\$ 103,403</u>

**FRANKLIN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

6. LONG TERM DEBT (CONTINUED)

Bond Obligations

The amount shown in the accompanying financial statements as bond obligations represents the following bonds:

Issue	June 30, 2019 Balance	Rates
2008R	\$ 385,000	3.16%
2010R	2,930,000	2.63%
2012	9,455,000	3.85%
2012R	3,100,000	2.05%
2012BR	5,450,000	4.00%
2013R	6,615,000	3.00%
2013E	2,255,000	2.00%-4.125%
2015R	3,340,000	1.00%-3.00%
2016	9,250,000	2.00%-4.00%
2017	15,810,000	2.00%-3.25%
2018	<u>9,580,000</u>	3.00%-3.650%
Total	<u>\$ 68,170,000</u>	

The Debt Service Fund is primarily responsible for paying the bond obligations through funding from the SEEK Capital Outlay and FSPK funds.

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

The District entered into "participation agreements" with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

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 amounts to be paid by the Commission, at June 30, 2018 for debt service (principal and interest) are as follows:

Fiscal Year	Franklin County		SFCC Participation		Total
	Principal	Interest	Principal	Interest	
2020	\$ 3,246,178	\$ 2,078,145	\$ 833,822	\$ 182,149	\$ 6,340,294
2021	3,366,019	1,861,843	848,981	163,978	6,240,821
2022	3,444,829	1,779,847	865,171	145,494	6,235,341
2023	3,544,690	1,706,929	885,310	125,125	6,262,054
2024	3,616,797	1,624,468	828,203	99,834	6,169,302
2025-2029	18,756,981	6,211,845	1,008,019	308,637	26,285,482
2030-2034	14,891,670	3,025,362	838,330	137,219	18,892,581
2035-2039	<u>10,796,218</u>	<u>857,817</u>	<u>398,782</u>	<u>31,556</u>	<u>12,084,373</u>
	<u>\$ 61,663,382</u>	<u>\$ 19,146,256</u>	<u>\$ 6,506,618</u>	<u>\$ 1,193,992</u>	<u>\$ 88,510,248</u>

**FRANKLIN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

6. LONG TERM DEBT (CONTINUED)

KISTA Lease

The School District participates in the Kentucky Inter-Local School Transportation Association (KISTA) equipment lease revenue bonds program for the purpose of acquiring replacement buses.

The issue date, interest rate, and June 30, 2019, balances are summarized below:

	Balance	Rate
2009C	\$ 25,446	2.00%-3.60%
2011	14,869	1.00%-4.00%
2012	117,163	2.00%-2.625%
2013	223,844	2.00%
2015	670,622	1.00%-2.625%
2016	445,108	2.00%-2.625%
2017	483,482	2.55%
2018	456,996	2.00-3.00%
2019	<u>315,639</u>	3.00%
	<u>\$ 2,753,169</u>	

During 2019, the school purchased three school buses through the KISTA equipment lease revenue bonds program. The total capital lease proceeds for the buses was \$315,639 and is to be repaid over ten years with an interest rate of 3.00 percent.

At June 30, 2019 minimum lease payments (principal and interest) are as follows:

Franklin County School District			
	Principal	Interest	Total
2020	\$ 458,715	\$ 79,621	\$ 538,336
2021	427,979	68,286	496,265
2022	409,114	57,083	466,197
2023	381,235	46,279	427,514
2024	319,268	35,908	355,176
2025-2029	<u>756,858</u>	<u>60,393</u>	<u>817,251</u>
	<u>\$ 2,753,169</u>	<u>\$ 347,570</u>	<u>\$ 3,100,739</u>

**FRANKLIN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

6. LONG TERM DEBT (CONTINUED)

The following is a summary of the District's long-term debt transactions for the year:

	July 1, 2018	Additions	Retirements	June 30, 2019
<u>Governmental activities</u>				
Bonds	\$ 62,710,000	\$ 9,580,000	\$ 4,120,000	\$ 68,170,000
Premium on bonds	418,352	-	49,218	369,134
Discount on bonds	(115,849)	(93,324)	(10,764)	(198,409)
KISTA lease	2,874,880	315,639	437,350	2,753,169
Capital lease	38,013	-	38,013	-
Compensated absence	160,078	154,723	-	314,801
Net pension liability – CERS	17,746,053	892,175	-	18,638,228
Net OPEB liability - CERS	6,110,455	-	670,518	5,439,937
Net OPEB liability - KTRS	15,641,035	-	482,830	15,158,205
KSBIT	<u>103,403</u>	<u>-</u>	<u>-</u>	<u>103,403</u>
Total governmental activities	<u>105,686,420</u>	<u>10,849,213</u>	<u>5,787,165</u>	<u>110,748,468</u>
<u>Business-type activities</u>				
Net pension liability – CERS	4,407,487	210,965	-	4,618,452
Net OPEB liability - CERS	<u>1,498,268</u>	<u>-</u>	<u>158,552</u>	<u>1,339,716</u>
Total business-type activities	<u>5,905,755</u>	<u>210,965</u>	<u>158,552</u>	<u>5,958,168</u>
Total District wide	<u>\$ 111,592,175</u>	<u>\$ 11,060,179</u>	<u>\$ 5,945,717</u>	<u>\$ 116,706,637</u>

7. RETIREMENT PLANS

The School District is a participating employer of the County Employees' Retirement System (CERS) and the Kentucky Teachers' Retirement System (KTRS). KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by the Kentucky Department of Education (KDE). Job classifications that permit experience to substitute for either of these requirements do not participate in KTRS. CERS covers employees whose position does not require a college degree or teaching certificate.

KTRS

Plan description – Teaching-certified employees of the Kentucky School District are provided pensions through the Teachers' Retirement System of the State of Kentucky (TRS)—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 state. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at <https://trs.ky.gov/financial-reports-information>.

**FRANKLIN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

7. RETIREMENT PLANS (CONTINUED)

KTRS, continued

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

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

Non-university members 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. Non-university members who became members on or 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 is less than ten years. New members 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, members 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.

Final average salary is defined as the member's five (5) highest annual salaries for those with less than 27 years of service. Members 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. For all members, the annual allowance is reduced by 5% per year from the earlier of age 60 or the date the member would have completed 27 years of service. The minimum annual service allowance for all members is \$440 multiplied by credited service.

Benefits provided - For members who have established an account in a retirement system by the Commonwealth on or after July 1, 2008:

- 1.) Attain age sixty (60) and complete five (5) years of Kentucky service, or
- 2.) Complete 27 years of Kentucky service, or
- 3.) Attain age fifty-five (55) and complete ten (10) years of Kentucky service.

The annual retirement allowance for non-university members is equal to: (a) one and seven tenths percent (1.7%) of final average salary for each year of credited service if their service is 10 years or less; (b) two percent (2.0%) of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) two and three tenths percent (2.3%) of final average salary for each year of credited service if their service is greater than 20 years but no more than 26 years; (d) two and one half percent (2.5%) of final average salary for each year of credited service if their service is greater than 26 years but no more than 30 years; (e) three percent (3.0%) of final average salary for years credited service greater than 30 years.

The final average salary is the member's five (5) highest annual salaries except members at least age fifty-five (55) with twenty-seven (27) or more years of service may use their three (3) highest annual salaries. For all members, the annual allowance is reduced by 6% per year from earlier of age 60 or the date the member would have completed 27 years of service.

Other benefits – TRS also provides disability benefits for vested members 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 members and \$5,000 for retired or disabled members, and TRS also provides post-employment healthcare benefits to eligible members and dependents.

**FRANKLIN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

7. RETIREMENT PLANS (CONTINUED)

KTRS, continued

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 members are required to contribute 12.855% of their salaries to the System.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions of the amount 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 members whose salaries are federally funded, the employer contributes 16.105% 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.

CERS

The District is a participating employer of the County Employees' Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS. The plan issues publicly available financial statements which may be downloaded from the Kentucky Retirement Systems website.

Plan Description – CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living adjustments (COLA) are provided at the discretion of state legislature.

Contributions – For the year ended June 30, 2019, plan members were required to contribute 5.00% of wages for non-hazardous job classifications. Employees hired after September 1, 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contributions rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2019, participating employers contributed 21.48% of each employee's wages, for non-hazardous job classifications. The contributions are allocated to both the pension and insurance trusts. The insurance trust is more fully described in Note 8. Plan members contributed 16.22% to the pension trust for non-hazardous job classifications. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

**FRANKLIN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

7. RETIREMENT PLANS (CONTINUED)

CERS, continued

Plan members who began participating on, or after, January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5% of wages to their own account and 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. For non-hazardous members, their account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

The District contributed \$2,237,959 for the year ended June 30, 2019, or 100% of the required contribution. The contribution was allocated \$1,689,930 to the CERS pension fund and \$548,029 to the CERS insurance fund.

Benefits – 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	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old or at least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal to 87+
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal to 87+
	Reduced retirement	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.

**FRANKLIN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

7. RETIREMENT PLANS (CONTINUED)

CERS and KTRS:

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources - At June 30, 2019, the District reported a liability of \$23,256,680 for its proportionate share of the net pension liability for CERS. The net pension liability was measured as of June 30, 2018, 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 was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2018, the District's proportion was .382 percent. The District's proportion at June 30, 2017 was .378 percent, a decrease of .003 percent.

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 Commonwealth of Kentucky recognized \$111,237,275 for its proportionate share of the net pension liability for KTRS. The net pension liability was measured as of June 30, 2018, 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 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, 2018, the State's proportion was .8495 percent.

For the year ended June 30, 2019, the District recognized pension expense of \$3,845,379 related to CERS and \$8,059,990 related to KTRS. The District also recognized revenue of \$8,059,990 for KTRS support provided by the Commonwealth of Kentucky. At June 30, 2019, 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
Differences between expected and actual results	\$ 758,568	\$ 340,429
Changes of assumptions	2,272,854	-
Net difference between projected and actual earnings on plan investments	-	278,862
Changes in proportion and differences between District contributions and proportionate share of contributions	183,959	-
District contributions subsequent to the measurement date	<u>1,592,338</u>	<u>-</u>
 Total	 <u>\$ 4,807,719</u>	 <u>\$ 619,291</u>

The \$1,592,338 of deferred outflows of resources resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2019 will be recognized in pension expense as follows:

Year ending June 30,

2020	\$ 1,968,603
2021	\$ 1,000,063
2022	\$ (247,752)
2023	\$ (124,824)

**FRANKLIN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

7. RETIREMENT PLANS (CONTINUED)

Actuarial Assumptions – The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

CERS:

Inflation	2.30%
Salary increases	3.05%, average, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP- 2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2008 - June 30, 2013.

KTRS:

Valuation date	6/30/17
Actuarial cost method	Entry age
Investment rate of return	7.50%, net of plan investment expense, including inflation
Projected salary increases	3.50 – 7.30%
Inflation rate	3.00%
Municipal Bond Index Rate	3.89%
Single Equivalent Interest Rate	7.50%

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 BB to 2025, set forward two years for males and one year for females. The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2010 – June 30, 2015.

Target Allocations

CERS

The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

**FRANKLIN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

7. RETIREMENT PLANS (CONTINUED)

CERS, Continued

The target allocation and best estimates of arithmetic nominal real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	17.50%	
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
Non US Equity	17.50%	
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Credit Fixed	24.00%	
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
EMD	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.00%	1.50%
Total	100.00%	6.09%

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 TRS's investment consultant, are summarized in the following table:

Asset Class	Target Allocation	Long-term Nominal Real Rate of Return
U.S. Equity	40%	4.20%
International Equity	22%	5.20%
Fixed Income	15%	1.20%
Additional Categories	8%	3.30%
Real Estate	6%	3.80%
Private Equity	7%	6.30%
Cash	<u>2%</u>	0.90%
Total	100%	

**FRANKLIN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

7. RETIREMENT PLANS (CONTINUED)

Discount Rate

CERS

The discount rate used to measure the total pension liability was 6.25 percent. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate does not use a municipal bond rate.

KTRS

For 2018, the discount rate used to measure the total pension liability was 7.50 percent. 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 the Actuarially Determined Contribution rates, adjusted by 95%, for all fiscal years in the future. 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 members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District's proportionate share of the net pension liability calculated using the current discount rate, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

	CERS Discount rate	CERS District's proportionate share of net pension liability
1% decrease	5.25%	\$ 29,277,753
Current discount rate	6.25%	\$ 23,256,680
1% increase	7.25%	\$ 18,212,078

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - CERS

Plan Description – As more fully described in Note 7, the District participates in the County Employees' Retirement System (CERS). CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. In addition to retirement benefits, the plan provides for health insurance benefits to plan members (other postemployment benefits or OPEB). OPEB benefits may be extended to beneficiaries of plan members under certain circumstances.

**FRANKLIN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - CERS

Contributions – As more fully described in Note 7, plan members contribute to CERS for non-hazardous job classifications. For the year ending June 30, 2019, the employer’s contribution was 5.26% to the insurance trust for non-hazardous job classifications. Employees hired after September 1, 2008, are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate.

Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

For the year ended June 30, 2019, the District contributed \$548,029, or 100% of the required contribution for non-hazardous job classifications.

Benefits – CERS provides health insurance benefits to Plan employees and beneficiaries. For retirement purposes, employees are grouped into three tiers based on hire date:

Tier 1	Participation date Insurance eligibility Benefit	Before July 1, 2003 10 years of service credit required Set percentage of single coverage health insurance based on service credit accrued at retirement
Tier 1	Participation date Insurance eligibility Benefit	Before September 1, 2008 but after July 1, 2003 10 years of service credit required Set dollar amount based on service credit accrued, increased annually
Tier 2	Participation date Insurance eligibility Benefit	After September 1, 2008 and before December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, increased annually
Tier 3	Participation date Insurance eligibility Benefit	After December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, increased annually

OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2019, the District reported a liability for its proportionate share of the net OPEB liability of \$6,779,653.

**FRANKLIN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – CERS (CONTINUED)

The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. The District's proportionate share at June 30, 2018, was .382%. This represented an increase of .003% over the District's proportion at June 30, 2017.

For the year ended June 30, 2019, the District recognized OPEB expense of \$865,610. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ -	\$ 790,079
Changes of assumptions	1,353,997	15,664
Net difference between projected and actual earnings on Plan investments	-	466,985
Changes in proportion and differences between District contributions and proportionate share of contributions	21,344	14,309
District contributions subsequent to the measurement date	625,751	-
Total	\$ 2,001,092	\$ 1,287,037

The \$625,751 of deferred outflows of resources resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. This includes an adjustment of \$109,370 related to the implicit subsidy, which is required to be recognized as a deferred outflow of resources. It also includes an adjustment of (\$31,648) related to retired and rehired employees which is excluded from deferred outflows of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ending June 30,

2020	\$	24,814
2021	\$	24,814
2022	\$	24,814
2023	\$	115,511
2024	\$	(58,226)
2025	\$	(43,423)

Actuarial Assumptions – The total OPEB liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**FRANKLIN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – CERS (CONTINUED)

Non-hazardous

Inflation	2.30%
Salary increases	3.05%, average, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation
Healthcare trend	
Pre – 65:	Initial trend starting at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Post – 65:	Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.

Mortality rates were based on the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP- 2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2008 - June 30, 2013. The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2018 was based on an actuarial valuation date of June 30, 2017. The total OPEB liability was rolled-forward from the valuation date (June 30, 2017) to the plan's fiscal year ending June 30, 2018.

The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

The target allocation and best estimates of arithmetic nominal real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	17.50%	
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
Non US Equity	17.50%	
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Credit Fixed	24.00%	
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
EMD	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.00%	1.50%
Total	100.00%	6.09%

**FRANKLIN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – CERS (CONTINUED)

Discount Rate – The discount rate used to measure the total OPEB liability was 5.85 percent for non-hazardous classifications. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25-year amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25 percent, and a municipal bond rate of 3.62 percent, as reported in Fidelity Index’s “20 –Year Municipal GO AA Index” as of June 30, 2018. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System’s actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System’s trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

Sensitivity of the District’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate – The following presents the District’s proportionate share of the net OPEB liability calculated using the discount rate as well as what the District’s proportionate share of the net OPEB 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:

	Discount rate		District’s proportionate share of net OPEB liability
1% decrease	4.85%	\$	8,805,682
Current discount rate	5.85%	\$	6,779,653
1% increase	6.85%	\$	5,053,846

Sensitivity of the District’s Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate – The following presents the District’s proportionate share of the net OPEB liability calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

			District’s proportionate share of net OPEB liability
1% decrease		\$	5,047,519
Current trend rate		\$	6,779,653
1% increase		\$	8,821,341

OPEB plan fiduciary net position – Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued financial report.

9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – KTRS

Plan description – Teaching-certified employees of the Kentucky School District are provided OPEBs through the Teachers’ Retirement System of the State of Kentucky (TRS)—a cost-sharing multiple-employer defined benefit OPEB plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the state. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth’s financial statements. TRS issues a publicly available financial report that can be obtained at <https://trs.ky.gov/financial-reports-information>.

**FRANKLIN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – KTRS (CONTINUED)

The District reports a liability, deferred outflows of resources and deferred inflows of resources, and expense as a result of its statutory requirement to contribute to the TRS Medical Insurance and Life Insurance Plans. The following information is about the TRS plans:

Medical Insurance Plan

Plan description – In addition to the OPEB benefits described above, Kentucky Revised Statute 161.675 requires TRS to provide post-employment healthcare benefits to eligible members and dependents. The TRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the medical plan may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

Benefits provided – To be eligible for medical benefits, the member must have retired either for service or disability. The TRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. TRS retired members are given a supplement to be used for payment of their health insurance premium. The amount of the member’s supplement is based on a contribution supplement table approved by the TRS Board of Trustees. The retired member pays premiums in excess of the monthly supplement. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

Contributions – In order to fund the post-retirement healthcare benefit, seven and one-half percent (7.50%) of the gross annual payroll of members is contributed. Three percent (3.00%) is paid by member contributions and three quarters percent (.75%) from state appropriation and three percent (3.00%) from the employer. The state contributes the net cost of health insurance premiums for members who retired on or after July 1, 2010 who are in the non-Medicare eligible group. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs – At June 30, 2019, the District reported a liability of \$15,158,204 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the District’s proportion was .437 percent, which is a .002 percent decrease from the previous year.

The amount recognized by the District as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District’s proportionate share of the net OPEB liability	\$ 15,158,205
State’s proportionate share of the net OPEB liability associated with the District	<u>13,063,206</u>
 Total	 <u>\$ 28,221,411</u>

**FRANKLIN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – KTRS (CONTINUED)

For the year ended June 30, 2019, the District recognized OPEB expense of \$777,000 and revenue of \$670,651 for support provided by the State. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ -	\$ 776,413
Changes of assumptions	208,383	-
Net difference between projected and actual earnings on Plan investments	-	61,708
Changes in proportion and differences between District contributions and proportionate share of contributions	-	54,000
District contributions subsequent to the measurement date	<u>798,992</u>	<u>-</u>
 Total	 <u>\$ 1,007,375</u>	 <u>\$ 892,121</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$798,992 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year ending June 30,

2020	\$ (137,000)
2021	\$ (137,000)
2022	\$ (137,000)
2023	\$ (109,000)
2024	\$ (115,000)
2025	\$ (48,738)

Actuarial assumptions – The total OPEB liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	8.00%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.50 – 7.20%, including inflation
Inflation rate	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Healthcare cost trend rates	
Under 65	7.75% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2024
Ages 65 and Older	5.75% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2021
Medicare Part B Premiums	0.00% for FY 2018 with an ultimate rate of 5.00% by 2030
Municipal Bond Index Rate	3.89%
Discount Rate	8.00%
Single Equivalent Interest Rate	8.00%, net of OPEB plan investment expense, including inflation.

**FRANKLIN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – KTRS (CONTINUED)

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB, and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement. The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2017 valuation were based on the results of the most recent actuarial experience studies for the System, which covered the five-year period ending June 30, 2015. The remaining actuarial assumptions used in the June 30, 2017 valuation of the MIF were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation. The health care cost trend rate assumption was updated for the June 30, 2017 valuation and was shown as an assumption change in the TOL roll forward while the change in initial per capita claims costs were included with experience in the TOL roll forward.

The long-term expected rate of return on OPEB 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 TRS's investment consultant, are summarized in the following table:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	58.0%	4.6%
Fixed Income	9.0%	1.2%
Real Estate	5.5%	3.8%
Private Equity	6.5%	6.3%
Other Additional Categories	20.0%	3.3%
Cash	<u>1.0%</u>	.9%
Total	100%	

Discount rate - The discount rate used to measure the total OPEB liability was 8.00%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74.

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 8.00%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
District's net OPEB liability	\$ <u>17,775,198</u>	\$ <u>15,158,205</u>	\$ <u>12,978,198</u>

**FRANKLIN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – KTRS (CONTINUED)

Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates – The following presents the District's proportionate share of the collective net OPEB liability, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rate	1% Increase
District's net OPEB liability	<u>\$ 12,569,294</u>	<u>\$ 15,158,205</u>	<u>\$ 18,352,262</u>

OPEB plan fiduciary net position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued TRS financial report.

Life Insurance Plan

Plan description – Life Insurance Plan – TRS administers the life insurance plan as provided by Kentucky Revised Statute 161.655 to eligible active and retired members. The TRS Life Insurance benefit is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the life insurance plan may be made by the TRS Board of Trustees and the General Assembly.

Benefits provided – TRS provides a life insurance benefit of five thousand dollars payable for members who retire based on service or disability. TRS provides a life insurance benefit of two thousand dollars payable for its active contributing members. The life insurance benefit is payable upon the death of the member to the member's estate or to a party designated by the member.

Contributions – In order to fund the post-retirement life insurance benefit, three hundredths of one percent (.03%) of the gross annual payroll of members is contributed by the state.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs – At June 30, 2019, the District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the State of Kentucky provides the OPEB support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability associated with the District	<u>224,000</u>
Total	<u>\$ 224,000</u>

For the year ended June 30, 2019, the District recognized revenue of \$7,782 for support provided by the State.

**FRANKLIN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – KTRS (CONTINUED)

Actuarial assumptions – The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.50%, net of OPEB plan investment expense, including inflation.
Projected salary increases	4.000 – 8.10%, including inflation
Inflation rate	3.50%
Real Wage Growth	0.50%
Wage Inflation	4.00%
Municipal Bond Index Rate	3.89%
Discount Rate	7.50%
Single Equivalent Interest Rate	7.50%, net of OPEB plan investment expense, including inflation.

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB, and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement. The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2017 valuation were based on the results of the most recent actuarial experience studies for the System, which covered the five-year period ending June 30, 2015.

The long-term expected rate of return on OPEB 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 TRS's investment consultant, are summarized in the following table:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity	40.0%	4.2%
International Equity	23.0%	5.2%
Fixed Income	18.0%	1.2%
Real Estate	6.0%	3.8%
Private Equity	5.0%	6.3%
Additional Categories	6.0%	3.3%
Cash	2.0%	.9%
Total	100%	

Discount rate - The discount rate used to measure the total OPEB liability for life insurance was 7.50 percent. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74.

OPEB plan fiduciary net position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued TRS financial report.

FRANKLIN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

10. CONTINGENCIES

The District receives funding from Federal, State and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor's review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

11. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District purchases various insurance policies. The District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

12. COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss. The District notifies the Department of Employee Insurance (DEI) when an employee is no longer employed. DEI sends the employee the COBRA requirements.

13. ON-BEHALF PAYMENTS

The financial statements include payments made by the Commonwealth of Kentucky for insurance, flexible spending, vocational and retirement benefits. The following amounts are included in each of the functions.

Health insurance	\$ 6,353,591
Life insurance	10,253
Administrative fees	84,444
Health reimbursement account	278,025
Federal reimbursement	(257,122)
Kentucky Teachers' Retirement - pension	8,059,990
Kentucky Teachers' Retirement – medical insurance	7,782
Kentucky Teachers' Retirement – life insurance	670,651
Technology	114,324
SFCC	<u>1,230,532</u>
Total on-behalf payments	<u>\$ 16,552,470</u>

**FRANKLIN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

14. TRANSFER OF FUNDS

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Operating	1	2	KETS Matching	\$ 119,790
Operating	1	2	Project Deficit	\$ 150,091
Operating	1	52	Project Deficit	\$ 10,475
Operating	1	360	Approved Projects	\$ 236,812
Debt Service	1	400	Bond Payments	\$ 267,184
Operating	310	360	Approved Projects	\$ 521,329
Debt Service	320	400	Bond Payments	\$ 4,353,674
Capital	320	1	Capital Purchases	\$ 111,649
Capital	320	360	Approved Projects	\$ 615,627

15. RESTATEMENT OF FUND BALANCE AND NET POSITION

General Fund

The District is restating beginning fund balance in the General Fund to correct projects that were not properly closed out in previous years and to correct a prepaid that was incorrectly recorded. These changes have resulted in a restatement of fund balance as follows:

		2018
General Fund		
Fund balance-beginning		\$ 11,576,763
Prior year projects		(456,840)
Prepaid correction		<u>(69,513)</u>
Fund balance-beginning, as restated		<u>\$ 11,050,410</u>

Special Revenue Fund

The District is restating beginning fund balance in the Special Revenue Fund to correct projects that were not properly closed out in previous years. This change has resulted in a restatement of fund balance as follows:

		2018
Special Revenue Fund		
Fund balance-beginning		\$ 203,625
Prior year projects		<u>177,673</u>
Fund balance-beginning, as restated		<u>\$ 381,298</u>

Construction Fund

The District is restating beginning fund balance in the Construction Fund to correct projects that were not properly closed out in previous years. This change has resulted in a restatement of fund balance as follows:

		2018
Construction Fund		
Fund balance-beginning		\$ 7,616,225
Prior year projects		<u>279,168</u>
Fund balance-beginning, as restated		<u>\$ 7,895,393</u>

**FRANKLIN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

15. RESTATEMENT OF FUND BALANCE AND NET POSITION (CONTINUED)

Governmental Activities

The District is restating beginning net position in the governmental activities to correct amounts inappropriately recorded as prepaids and construction in progress. These changes have resulted in a restatement of net position as follows:

	2018
Net position-beginning	\$ 10,531,687
Prepaid expense	(69,513)
Construction in progress	<u>(173,935)</u>
Net position-beginning, as restated	<u>\$ 10,288,239</u>

Supplementary Information

FRANKLIN COUNTY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
for the year ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 25,213,508	\$ 24,311,182	\$ 25,267,239	\$ 956,057
Other local sources	316,337	316,337	856,576	540,239
State sources	29,565,740	29,547,506	34,924,334	5,376,828
Federal sources	63,000	63,000	94,099	31,099
TOTAL REVENUES	<u>55,158,585</u>	<u>54,238,025</u>	<u>61,142,248</u>	<u>6,904,223</u>
EXPENDITURES				
Instruction	31,966,587	32,183,395	35,929,547	(3,746,152)
Support services				
Student	2,694,171	2,690,288	3,139,766	(449,478)
Instructional staff	2,799,024	2,843,237	2,745,375	97,862
District administration	1,545,668	1,554,189	1,716,518	(162,329)
School administration	4,456,400	4,344,459	4,299,480	44,979
Business	1,066,553	1,071,196	1,019,636	51,560
Plant operation and maintenance	5,266,853	6,210,852	5,263,878	946,974
Student transportation	3,930,579	3,959,046	3,743,443	215,603
Community services activities	121,467	121,467	35,964	85,503
Contingency	8,041,866	9,623,269	-	9,623,269
Capital outlay (Note 1)	-	-	1,421,361	(1,421,361)
Debt service	1,316,282	1,316,282	505,456	810,826
TOTAL EXPENDITURES	<u>63,205,450</u>	<u>65,917,680</u>	<u>59,820,424</u>	<u>6,097,256</u>
Excess (Deficit) of Revenues Over Expenditures	<u>(8,046,865)</u>	<u>(11,679,655)</u>	<u>1,321,824</u>	<u>(13,001,479)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	111,649	(111,649)
Operating transfers out	-	-	(784,352)	784,352
Proceeds from capital lease	-	-	315,639	(315,639)
Proceeds from sale of assets	5,000	5,000	9,468	(4,468)
TOTAL OTHER FINANCING SOURCES (USES)	<u>5,000</u>	<u>5,000</u>	<u>(347,596)</u>	<u>352,596</u>
EXTRAORDINARY ITEM - INSURANCE	-	-	379,441	(379,441)
NET CHANGE IN FUND BALANCE	(8,041,865)	(11,674,655)	1,353,669	13,028,324
Fund balances-beginning	<u>8,041,865</u>	<u>11,674,655</u>	<u>11,050,410</u>	<u>(624,245)</u>
Fund balances-ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,404,079</u>	<u>\$ 12,404,079</u>

Note 1: Capital outlay expenditures were budgeted with their respective function.

**FRANKLIN COUNTY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND
for the year ended June 30, 2019**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local sources	\$ -	\$ 170,532	\$ 53,279	\$ (117,253)
State sources	1,199,181	2,467,679	2,345,376	(122,303)
Federal sources	<u>3,144,639</u>	<u>3,568,875</u>	<u>3,174,480</u>	<u>(394,395)</u>
TOTAL REVENUES	<u>4,343,820</u>	<u>6,207,086</u>	<u>5,573,135</u>	<u>(633,951)</u>
EXPENDITURES				
Instruction	2,954,769	4,445,961	3,748,024	697,937
Support services				
Student	1,100,000	73,710	450,854	(377,144)
Instructional staff	269,051	965,972	1,032,100	(66,128)
School administration	-	133,177	132,874	303
Business	-	-	7,125	(7,125)
Plant operation and maintenance	-	39,116	47,365	(8,249)
Student transportation	-	73,122	3,791	69,331
Community services activities	-	525,659	520,505	5,154
Capital outlay (Note 1)	<u>-</u>	<u>-</u>	<u>108,465</u>	<u>(108,465)</u>
TOTAL EXPENDITURES	<u>4,323,820</u>	<u>6,256,717</u>	<u>6,051,103</u>	<u>205,614</u>
Excess (Deficit) of Revenues Over Expenditures	20,000	(49,631)	(477,968)	(428,337)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	119,791	269,881	150,090
Operating transfers out	<u>(20,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(20,000)</u>	<u>119,791</u>	<u>269,881</u>	<u>150,090</u>
NET CHANGE IN FUND BALANCE	-	70,160	(208,087)	(278,247)
Fund balances-beginning, as restated	<u>-</u>	<u>-</u>	<u>381,298</u>	<u>-</u>
Fund balances-ending	<u>\$ -</u>	<u>\$ 70,160</u>	<u>\$ 173,211</u>	<u>\$ (278,247)</u>

Note 1: Capital outlay expenditures were budgeted with their respective function.

**FRANKLIN COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
COUNTY EMPLOYEES' RETIREMENT SYSTEM
Last Five Fiscal Years**

	2015	2016	2017	2018	2019
District's proportion of the net pension liability	0.371%	0.374%	0.376%	0.378%	0.382%
District's proportionate share of the net pension liability (asset)	\$ 12,035,204	\$ 16,070,557	\$ 18,510,424	\$ 22,153,540	\$ 23,256,680
District's covered employee payroll	\$ 8,739,632	\$ 8,739,632	\$ 9,385,182	\$ 9,705,779	\$ 10,015,042
District's share of the net pension liability (asset) as a percentage of its covered employee payroll	137.71%	183.88%	197.23%	228.25%	232.22%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	59.97%	55.50%	53.32%	53.54%

Notes:

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the current fiscal year.

The measurement date of the net pension liability is one year preceding the fiscal year of the District.

The District's covered payroll reported above is payroll for the corresponding measurement date of the net pension liability and differs from the District's fiscal year payroll, reported on the Schedule of Contributions.

The above schedule will present 10 years of historical data, once available.

**FRANKLIN COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
KENTUCKY TEACHERS' RETIREMENT SYSTEM
Last Four Fiscal Years**

	2016	2017	2018	2019
District's proportion of the net pension liability	0.0000%	0.0000%	0.0000%	0.0000%
District's proportionate share of the net pension liability (asset)	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability (asset)	<u>188,106,881</u>	<u>244,592,180</u>	<u>224,641,329</u>	<u>111,237,275</u>
Total	<u>\$ 188,106,881</u>	<u>\$ 244,592,180</u>	<u>\$ 224,641,329</u>	<u>\$ 111,237,275</u>
District's covered employee payroll	\$ 24,935,547	\$ 26,247,179	\$ 26,588,087	\$ 27,475,553
District's share of the net pension liability (asset) as a percentage of its covered employee payroll	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	42.49%	35.22%	39.83%	59.30%

Notes:

Changes of benefit terms – None.

Changes of assumptions – The discount rate used to measure the total net pension liability was increased from 4.49% to 7.50% in the current year.

The District's covered payroll reported above is payroll for the corresponding measurement date of the net pension liability and differs from the District's fiscal year payroll, reported on the Schedule of Contributions.

The above schedule will present 10 years of historical data, once available.

**FRANKLIN COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
COUNTY EMPLOYEES' RETIREMENT SYSTEM
Last Three Fiscal Years**

	2017	2018	2019
District's proportion of the net OPEB liability	0.378%	0.378%	0.382%
District's proportionate share of the net OPEB liability (asset)	\$ 5,968,055	\$ 7,608,723	\$ 6,779,653
District's covered employee payroll	\$ 9,385,182	\$ 9,705,779	\$ 10,015,042
District's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	63.59%	78.39%	67.69%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	52.39%	57.62%

Notes:

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the current fiscal year.

The measurement date of the net OPEB liability is one year preceding the fiscal year of the District.

The District's covered payroll reported above is payroll for the corresponding measurement date of the net OPEB liability and differs from the District's fiscal year payroll, reported on the Schedule of Contributions.

**FRANKLIN COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - MEDICAL INSURANCE PLAN
KENTUCKY TEACHERS' RETIREMENT SYSTEM
Last Three Fiscal Years**

	2017	2018	2019
District's proportion of the collective net OPEB liability	0.439%	0.439%	0.437%
District's proportionate share of the collective net OPEB liability (asset)	\$ 15,486,000	\$ 15,641,035	\$ 15,158,205
State's proportionate share of the collective net OPEB liability (asset) associated with the District	<u>12,649,000</u>	<u>12,776,473</u>	<u>13,063,206</u>
Total	<u>\$ 28,135,000</u>	<u>\$ 28,417,508</u>	<u>\$ 28,221,411</u>
District's covered employee payroll	\$ 24,677,435	\$ 25,106,477	\$ 25,934,497
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered employee payroll	62.75%	62.30%	58.45%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	21.20%	25.50%

Notes:

Changes of benefit terms – With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retired prior to July 1, 2010 is restored, but the state will only finance, via its KEHP “Shared Responsibility” contributions, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010.

Changes of assumptions – Updated health care trend rates were implemented.

The District's covered payroll reported above is payroll for the corresponding measurement date of the net OPEB liability and differs from the District's fiscal year payroll, reported on the Schedule of Contributions.

The above schedule will present 10 years of historical data, once available.

**FRANKLIN COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - LIFE INSURANCE PLAN
KENTUCKY TEACHERS' RETIREMENT SYSTEM
Last Three Fiscal Years**

	2017	2018	2019
District's proportion of the collective net OPEB liability	0.0000%	0.0000%	0.0000%
District's proportionate share of the collective net OPEB liability (asset)	\$ -	\$ -	\$ -
State's proportionate share of the collective net OPEB liability (asset) associated with the District	<u>117,000</u>	<u>171,000</u>	<u>224,000</u>
Total	<u>\$ 117,000</u>	<u>\$ 171,000</u>	<u>\$ 224,000</u>
District's covered employee payroll	\$ 26,247,179	\$ 26,588,087	\$ 27,475,553
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered employee payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	80.00%	74.97%

Notes:

Changes of benefit terms – None.

Changes of assumptions – None.

The District's covered payroll reported above is payroll for the corresponding measurement date of the net OPEB liability and differs from the District's fiscal year payroll, reported on the Schedule of Contributions.

The above schedule will present 10 years of historical data, once available.

**FRANKLIN COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY
SCHEDULE OF PENSION CONTRIBUTIONS
COUNTY EMPLOYEES' RETIREMENT SYSTEM
Last Five Fiscal Years**

	2015	2016	2017	2018	2019
Contractually required employer contribution	\$ 1,103,465	\$ 1,164,923	\$ 1,354,299	\$ 1,450,178	\$ 1,689,930
Contributions relative to contractually required employer contribution	<u>1,103,465</u>	<u>1,164,923</u>	<u>1,354,299</u>	<u>1,450,178</u>	<u>1,689,930</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 8,739,632	\$ 9,385,182	\$ 9,705,779	\$ 10,015,042	\$ 10,415,387
Employer contributions as a percentage of covered-employee payroll	12.63%	12.41%	13.95%	14.48%	16.23%

Notes:

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the current fiscal year.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The above contributions only include those contributions allocated directly to the CERS pension fund.

The District's covered payroll reported above is payroll for the District's corresponding fiscal year and differs from the covered payroll reported on the Schedule of Proportionate Share of the Net Pension Liability.

The above schedule will present 10 years of historical data, once available.

**FRANKLIN COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY
SCHEDULE OF PENSION CONTRIBUTIONS
KENTUCKY TEACHERS' RETIREMENT SYSTEM
Last Five Fiscal Years**

	2015	2016	2017	2018	2019
Contractually required employer contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions relative to contractually required employer contribution	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 24,935,547	\$ 26,247,179	\$ 26,588,087	\$ 27,475,553	\$ 28,122,613
Employer contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%

Notes:

The required employer contributions and percent of those contributions actually made are presented in the schedule.

The District's covered payroll reported above is payroll for the District's corresponding fiscal year and differs from the covered payroll reported on the Schedule of Proportionate Share of the Net Pension Liability.

The above schedule will present 10 years of historical data, once available.

**FRANKLIN COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY
SCHEDULE OF OPEB CONTRIBUTIONS
COUNTY EMPLOYEES' RETIREMENT SYSTEM
Last Five Fiscal Years**

	2015	2016	2017	2018	2019
Contractually required employer contribution	\$ 425,808	\$ 435,205	\$ 459,199	\$ 470,707	\$ 548,029
Contributions relative to contractually required employer contribution	<u>425,808</u>	<u>435,205</u>	<u>459,199</u>	<u>470,707</u>	<u>548,029</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 8,739,632	\$ 9,385,182	\$ 9,705,779	\$ 10,015,042	\$ 10,415,387
Employer contributions as a percentage of covered-employee payroll	4.87%	4.64%	4.73%	4.70%	5.26%

Notes:

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the current fiscal year.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the pension fund of the CERS. The above contributions only include those contributions allocated directly to the CERS OPEB fund.

The District's covered payroll reported above is payroll for the District's corresponding fiscal year and differs from the covered payroll reported on the Schedule of Proportionate Share of the Net OPEB Liability.

The above schedule will present 10 years of historical data, once available.

**FRANKLIN COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY
SCHEDULE OF OPEB CONTRIBUTIONS - MEDICAL INSURANCE PLAN
KENTUCKY TEACHERS' RETIREMENT SYSTEM
Last Four Fiscal Years**

	2016	2017	2018	2019
Contractually required employer contribution	\$ 740,329	\$ 751,680	\$ 778,201	\$ 798,992
Contributions relative to contractually required employer contribution	<u>740,329</u>	<u>751,680</u>	<u>778,201</u>	<u>798,992</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 24,677,435	\$ 25,106,477	\$ 25,934,497	\$ 26,632,917
Employer contributions as a percentage of covered-employee payroll	3.00%	3.00%	3.00%	3.00%

Notes:

Changes of benefit terms – With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retired prior to July 1, 2010 is restored, but the state will only finance, via its KEHP "Shared Responsibility" contributions, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010.

The District's covered payroll reported above is payroll for the District's corresponding fiscal year and differs from the covered payroll reported on the Schedule of Proportionate Share of the Net OPEB Liability - medical insurance plan.

The above schedule will present 10 years of historical data, once available.

**FRANKLIN COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY
SCHEDULE OF OPEB CONTRIBUTIONS - LIFE INSURANCE PLAN
KENTUCKY TEACHERS' RETIREMENT SYSTEM
Last Five Fiscal Years**

	2015	2016	2017	2018	2019
Contractually required employer contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions relative to contractually required employer contribution	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 24,935,547	\$ 26,247,179	\$ 26,588,087	\$ 24,475,553	\$ 28,122,613
Employer contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%

Notes:

Changes of benefit terms – None.

The District's covered payroll reported above is payroll for the District's corresponding fiscal year and differs from the covered payroll reported on the Schedule of Proportionate Share of the Net OPEB Liability - life insurance plan.

The above schedule will present 10 years of historical data, once available.

**FRANKLIN COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
for the year ended June 30, 2019**

	SEEK Capital Outlay Fund	FSPK Fund	Debt Service Fund	District Activity Fund	Total
ASSETS					
Cash and cash equivalents	\$ 876,223	\$ 1,367,016	\$ -	\$ 173,059	\$ 2,416,298
Accounts receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,004</u>	<u>3,004</u>
Total assets	<u><u>\$ 876,223</u></u>	<u><u>\$ 1,367,016</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 176,063</u></u>	<u><u>\$ 2,419,302</u></u>
LIABILITIES					
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,443</u>	<u>\$ 1,443</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,443</u>	<u>1,443</u>
FUND BALANCE					
Restricted					
Other	-	-	-	174,620	174,620
KSFCC escrow	-	880,193	-	-	880,193
SFCC escrow	876,223	486,823	-	-	1,363,046
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>876,223</u>	<u>1,367,016</u>	<u>-</u>	<u>174,620</u>	<u>2,417,859</u>
Total liabilities and fund balance	<u><u>\$ 876,223</u></u>	<u><u>\$ 1,367,016</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 176,063</u></u>	<u><u>\$ 2,419,302</u></u>

**FRANKLIN COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BLANACES
NONMAJOR GOVERNMENTAL FUNDS
for the year ended June 30, 2019**

	SEEK Capital Outlay Fund	FSPK Fund	Debt Service Fund	District Activity Fund	Total
REVENUES					
Taxes	\$ -	\$ 3,682,284	\$ -	\$ -	\$ 3,682,284
Other local sources	5,869	9,118	-	195,073	210,060
Intergovernmental-State	<u>570,429</u>	<u>1,075,090</u>	<u>1,230,532</u>	<u>-</u>	<u>2,876,051</u>
Total revenues	<u>576,298</u>	<u>4,766,492</u>	<u>1,230,532</u>	<u>195,073</u>	<u>6,768,395</u>
EXPENDITURES					
Instruction	-	-	-	159,934	159,934
Instructional staff support services	-	-	-	65,403	65,403
Debt service	<u>-</u>	<u>-</u>	<u>6,016,890</u>	<u>-</u>	<u>6,016,890</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>6,016,890</u>	<u>225,337</u>	<u>6,242,227</u>
Excess (deficit) revenues over expenditures	<u>576,298</u>	<u>4,766,492</u>	<u>(4,786,358)</u>	<u>(30,264)</u>	<u>526,168</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	-	4,620,859	-	4,620,859
Operating transfers out	<u>(521,329)</u>	<u>(5,080,951)</u>	<u>-</u>	<u>-</u>	<u>(5,602,280)</u>
Total other financing sources (uses)	<u>(521,329)</u>	<u>(5,080,951)</u>	<u>4,620,859</u>	<u>-</u>	<u>(981,421)</u>
Excess (deficit) revenues and other financing sources over expenditures and other financing uses	54,969	(314,459)	(165,499)	(30,264)	(455,253)
Fund balances-beginning	<u>821,254</u>	<u>1,681,475</u>	<u>165,499</u>	<u>204,884</u>	<u>2,873,112</u>
Fund balances-ending	<u>\$ 876,223</u>	<u>\$ 1,367,016</u>	<u>\$ -</u>	<u>\$ 174,620</u>	<u>\$ 2,417,859</u>

**FRANKLIN COUNTY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 SCHOOL ACTIVITY FUNDS
 for the year ended June 30, 2019**

	Western Hills High School	Franklin County High School	Franklin County Career & Technical School	Elkhorn Middle School	Bondurant Middle School	Bridgeport Elementary School	Collins Lane Elementary School	Early Learning Village East	Hearn Elementary School	Peaks Mill Elementary School	Westridge Elementary School	Elkhorn Elementary School	Total
ASSETS													
Cash and equivalents	<u>\$ 137,420</u>	<u>\$ 82,372</u>	<u>\$ 9,215</u>	<u>\$ 76,291</u>	<u>\$ 85,749</u>	<u>\$ 12,973</u>	<u>\$ 10,225</u>	<u>\$ 17,306</u>	<u>\$ 7,233</u>	<u>\$ 13,087</u>	<u>\$ 7,239</u>	<u>\$ 1,731</u>	<u>\$ 460,841</u>
Total assets	<u>\$ 137,420</u>	<u>\$ 82,372</u>	<u>\$ 9,215</u>	<u>\$ 76,291</u>	<u>\$ 85,749</u>	<u>\$ 12,973</u>	<u>\$ 10,225</u>	<u>\$ 17,306</u>	<u>\$ 7,233</u>	<u>\$ 13,087</u>	<u>\$ 7,239</u>	<u>\$ 1,731</u>	<u>\$ 460,841</u>
LIABILITIES													
Due to student groups	<u>\$ 137,420</u>	<u>\$ 82,372</u>	<u>\$ 9,215</u>	<u>\$ 76,291</u>	<u>\$ 85,749</u>	<u>\$ 12,973</u>	<u>\$ 10,225</u>	<u>\$ 17,306</u>	<u>\$ 7,233</u>	<u>\$ 13,087</u>	<u>\$ 7,239</u>	<u>\$ 1,731</u>	<u>\$ 460,841</u>
Total liabilities	<u>\$ 137,420</u>	<u>\$ 82,372</u>	<u>\$ 9,215</u>	<u>\$ 76,291</u>	<u>\$ 85,749</u>	<u>\$ 12,973</u>	<u>\$ 10,225</u>	<u>\$ 17,306</u>	<u>\$ 7,233</u>	<u>\$ 13,087</u>	<u>\$ 7,239</u>	<u>\$ 1,731</u>	<u>\$ 460,841</u>

FRANKLIN COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF FIDUCIARY RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS
SCHOOL ACTIVITY FUNDS
for the year ended June 30, 2019

	Cash Balances July 01, 2018	Receipts	Disbursements	Cash Balances June 30, 2019	Accounts Receivable June 30, 2019	Accounts Payable June 30, 2019	Fund Balances June 30, 2019
Western Hills High School	\$ 116,193	\$ 309,425	\$ (288,198)	\$ 137,420	\$ -	\$ -	\$ 137,420
Franklin County High School	66,719	331,004	(315,351)	82,372	-	-	82,372
Franklin County Career & Technical School	11,982	17,099	(19,866)	9,215	-	-	9,215
Elkhorn Middle School	49,377	103,759	(76,845)	76,291	-	-	76,291
Bondurant Middle School	101,369	169,863	(185,483)	85,749	-	-	85,749
Bridgeport Elementary School	20,811	27,700	(35,538)	12,973	-	-	12,973
Collins Lane Elementary School	7,686	52,533	(49,994)	10,225	-	-	10,225
Early Learning Village East	19,636	16,627	(18,957)	17,306	-	-	17,306
Hearn Elementary School	12,200	18,768	(23,735)	7,233	-	-	7,233
Peaks Mill Elementary School	11,694	28,667	(27,274)	13,087	-	-	13,087
Westridge Elementary School	8,167	29,186	(30,114)	7,239	-	-	7,239
Elkhorn Elementary School	<u>2,362</u>	<u>15,300</u>	<u>(15,931)</u>	<u>1,731</u>	<u>-</u>	<u>-</u>	<u>1,731</u>
TOTAL ACTIVITY FUNDS	<u>\$ 428,196</u>	<u>\$ 1,119,931</u>	<u>\$ (1,087,286)</u>	<u>\$ 460,841</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 460,841</u>

**FRANKLIN COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS
WESTERN HILLS HIGH SCHOOL
for the year ended June 30, 2019**

	Cash Balances Beginning	Receipts	Disbursements	Transfers	Cash Balances Year End	Accounts Receivable Year End	Accounts Payable Year End	Fund Balances Year End
Operating Fund	\$ 1,062	\$ 4,456	\$ (1,655)	\$ 145	\$ 4,008	\$ -	\$ -	\$ 4,008
KSU Classes	80	-	-	-	80	-	-	80
Postage	73	-	-	-	73	-	-	73
Coke Teachers Lounge	2,235	1,157	(2,307)	276	1,361	-	-	1,361
Parking Fees	234	1,940	(1,728)	(353)	93	-	-	93
AP Exams	3,343	24,778	(22,624)	-	5,497	-	-	5,497
Student Incentives	196	-	(141)	-	55	-	-	55
Class of 2018	1,101	-	-	(1,101)	-	-	-	-
Class of 2019	-	15,665	(11,544)	5,224	9,345	-	-	9,345
Class of 2020	329	-	-	-	329	-	-	329
Athletic Budget	17,234	67,075	(59,694)	(5,720)	18,895	-	-	18,895
Boys Golf	4,712	-	(1,423)	40	3,329	-	-	3,329
Baseball	1,448	-	(1,448)	240	240	-	-	240
Basketball-Boys	415	3,159	(1,571)	600	2,603	-	-	2,603
Cheerleaders	687	7,521	(5,068)	1,700	4,840	-	-	4,840
Dance Team	12	261	(500)	500	273	-	-	273
Football	138	230	(374)	765	759	-	-	759
Girls Golf	57	-	-	-	57	-	-	57
Boys Soccer	4,062	6,264	(9,148)	120	1,298	-	-	1,298
Girls Basketball	3,354	721	(2,941)	200	1,334	-	-	1,334
Softball	905	5,401	(5,719)	200	787	-	-	787
Subtotal	<u>\$ 41,677</u>	<u>\$ 138,628</u>	<u>\$ (127,885)</u>	<u>\$ 2,836</u>	<u>\$ 55,256</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,256</u>

**FRANKLIN COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS
WESTERN HILLS HIGH SCHOOL
for the year ended June 30, 2019**

	Cash Balances Beginning	Receipts	Disbursements	Transfers	Cash Balances Year End	Accounts Receivable Year End	Accounts Payable Year End	Fund Balances Year End
Track	\$ 8,261	\$ 11,199	\$ (11,674)	\$ 560	\$ 8,346	\$ -	\$ -	\$ 8,346
Swim	-	400	(400)	80	80	-	-	80
Volleyball	100	-	(150)	120	70	-	-	70
Cross Country	1,803	1,673	(1,473)	160	2,163	-	-	2,163
Dist/Reg Tournament	44	1,630	(1,630)	-	44	-	-	44
Tennis - girls	961	30	(321)	(396)	274	-	-	274
Wrestling	468	-	(175)	115	408	-	-	408
Tennis - boys	-	-	(85)	596	511	-	-	511
Girls Soccer	1,877	3,009	(1,540)	-	3,346	-	-	3,346
Gbk Sp-Coach Account	1,073	-	(515)	-	558	-	-	558
Bbk Special-Coach	1,755	357	(1,371)	-	741	-	-	741
Football Special	57	878	(485)	-	450	-	-	450
Archery	3,793	13,906	(15,768)	(40)	1,891	-	-	1,891
Academic Team	971	1,160	(1,641)	-	490	-	-	490
Art Club	69	250	(181)	-	138	-	-	138
Beta Club	2,141	10,377	(10,659)	(40)	1,819	-	-	1,819
Y-Club	402	20,714	(20,729)	(50)	337	-	-	337
Cultural Diversity	42	-	-	-	42	-	-	42
Drama Club	16,802	3,560	(4,640)	4,093	19,815	-	-	19,815
Ecology Club	407	-	-	-	407	-	-	407
FFA	3,510	19,238	(18,702)	1,525	5,571	-	-	5,571
Subtotal	<u>\$ 44,536</u>	<u>\$ 88,381</u>	<u>\$ (92,139)</u>	<u>\$ 6,723</u>	<u>\$ 47,501</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,501</u>

FRANKLIN COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS
WESTERN HILLS HIGH SCHOOL
for the year ended June 30, 2019

	Cash Balances				Cash Balances	Accounts	Accounts	Fund Balances
	Beginning	Receipts	Disbursements	Transfers	Year End	Receivable	Payable	Year End
						Year End	Year End	Year End
FCCLA	\$ 640	\$ 807	\$ (599)	\$ (40)	\$ 808	\$ -	\$ -	\$ 808
French Honor Society	632	509	(599)	(50)	492	-	-	492
National Honor Society	285	800	(810)	(50)	225	-	-	225
Pep Club	11	10	-	-	21	-	-	21
Spanish Honor	394	856	(979)	(40)	231	-	-	231
Student Council	1,746	-	-	(40)	1,706	-	-	1,706
KJHS	12	10	-	-	22	-	-	22
Book Club	36	-	-	-	36	-	-	36
Wolverine Warehouse	75	-	-	-	75	-	-	75
Future Educators	30	-	-	-	30	-	-	30
DECA	104	11,205	(10,314)	(40)	955	-	-	955
Young Republicans	27	230	(85)	(40)	132	-	-	132
Young Democrats	92	195	(227)	-	60	-	-	60
Science Club	1,988	3,859	(2,521)	(40)	3,286	-	-	3,286
Key Club	114	-	-	(40)	74	-	-	74
Mu Alpha Theta	765	289	(394)	(40)	620	-	-	620
Gay/Straight Alliance	110	-	-	-	110	-	-	110
Band	1,193	-	(495)	(160)	538	-	-	538
Business Dept.	8	-	-	-	8	-	-	8
Chorus	121	-	(65)	-	56	-	-	56
Technology	590	-	-	-	590	-	-	590
Subtotal	<u>\$ 8,973</u>	<u>\$ 18,770</u>	<u>\$ (17,088)</u>	<u>\$ (580)</u>	<u>\$ 10,075</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,075</u>

FRANKLIN COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS
WESTERN HILLS HIGH SCHOOL
for the year ended June 30, 2019

	Cash Balances				Cash Balances	Accounts	Accounts	Fund Balances
	Beginning	Receipts	Disbursements	Transfers	Year End	Receivable	Payable	Year End
						Year End	Year End	
English Dept.	\$ 171	\$ 20	\$ (269)	\$ 100	\$ 22	\$ -	\$ -	\$ 22
Famco Fees	1,114	1,744	(1,331)	-	1,527	-	-	1,527
Foreign Language	235	-	-	-	235	-	-	235
Journalism-Print	376	-	-	(376)	-	-	-	-
Library	296	214	(56)	-	454	-	-	454
Math Dept.	44	-	-	-	44	-	-	44
PE Dept.	15	-	-	-	15	-	-	15
Resource Spec. Ed.	6	-	-	-	6	-	-	6
Science Dept.	258	-	(246)	-	12	-	-	12
Social Studies	46	1,751	(1,683)	-	114	-	-	114
Horticulture	6,990	24,698	(20,070)	(1,600)	10,018	-	-	10,018
Outdoor Classroom	200	-	-	-	200	-	-	200
Living to serve	-	3,000	(3,075)	75	-	-	-	-
Counselors	188	1,380	(1,289)	-	279	-	-	279
Learning Center	145	-	-	(145)	-	-	-	-
Pageant	-	9,740	(2,335)	(7,305)	100	-	-	100
Yearbook	8,242	4,549	(2,655)	-	10,136	-	-	10,136
CRP/HOSA	913	4,575	(5,425)	312	375	-	-	375
Memorial Garden	1,768	-	(717)	-	1,051	-	-	1,051
General Fund Sweep	-	11,975	(11,935)	(40)	-	-	-	-
Totals	\$ 116,193	\$ 309,425	\$ (288,198)	\$ -	\$ 137,420	\$ -	\$ -	\$ 137,420

FRANKLIN COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS
FRANKLIN COUNTY HIGH SCHOOL
for the year ended June 30, 2019

	Cash Balances Beginning	Receipts	Disbursements	Transfers	Cash Balances Year End	Accounts Receivable Year End	Accounts Payable Year End	Fund Balances Year End
General	\$ 75	\$ 84	\$ -	\$ -	\$ 159	\$ -	\$ -	\$ 159
Field Trips	89	130	-	-	219	-	-	219
Interest	429	2,213	(182)	(650)	1,810	-	-	1,810
Postage	27	24	(22)	-	29	-	-	29
Parking	95	3,525	(2,576)	-	1,044	-	-	1,044
FEA Club	1,080	-	-	(1,080)	-	-	-	-
Disc Golf	500	-	(464)	-	36	-	-	36
Teachers Lounge	731	1,526	(1,126)	130	1,261	-	-	1,261
Athletic	3,345	115,645	(128,031)	13,260	4,219	-	-	4,219
FB Playoffs	88	4,045	(1,371)	(2,762)	-	-	-	-
Boys/Girls Tennis	10	1,800	(1,810)	-	-	-	-	-
Cheerleaders	255	5,929	(4,802)	(60)	1,322	-	-	1,322
Swim Team	2	380	(271)	-	111	-	-	111
SB Showcase	24	3,022	(1,105)	(200)	1,741	-	-	1,741
Art Club	322	432	(215)	-	539	-	-	539
Art Ceramics	-	1,543	(924)	-	619	-	-	619
Beta Club	119	23,555	(22,011)	(85)	1,578	-	-	1,578
Deca Club	1,757	5,868	(6,649)	(559)	417	-	-	417
AP Euro Binders	-	120	(180)	60	-	-	-	-
Bus. Management	-	273	(313)	40	-	-	-	-
FFA Club	628	5,853	(5,242)	(280)	959	-	-	959
Subtotal	<u>\$ 9,576</u>	<u>\$ 175,967</u>	<u>\$ (177,294)</u>	<u>\$ 7,814</u>	<u>\$ 16,063</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,063</u>

FRANKLIN COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS
FRANKLIN COUNTY HIGH SCHOOL
for the year ended June 30, 2019

	Cash Balances				Cash Balances	Accounts	Accounts	Fund Balances
	Beginning	Receipts	Disbursements	Transfers	Year End	Year End	Year End	Year End
Academic Club	\$ 70	\$ 707	\$ (732)	\$ -	\$ 45	\$ -	\$ -	\$ 45
Key Club	537	630	(744)	-	423	-	-	423
NHS Club	424	1,435	(830)	-	1,029	-	-	1,029
Pep Club	154	-	(101)	-	53	-	-	53
Student Council	365	495	(850)	150	160	-	-	160
Y Club	16	12,015	(11,169)	(495)	367	-	-	367
Safe Place	-	120	-	-	120	-	-	120
College ALG.	600	-	(360)	(240)	-	-	-	-
Drama	2,998	20,879	(16,335)	(125)	7,417	-	-	7,417
FB Qback Club	105	-	(101)	-	4	-	-	4
ROTC Cadet	965	1,357	(2,405)	83	-	-	-	-
ROTC Cadets	702	12,692	(13,025)	(83)	286	-	-	286
Class of 2018	76	-	-	(76)	-	-	-	-
Class of 2019	-	1,926	(1,873)	1,062	1,115	-	-	1,115
AP Exams	4,393	13,900	(14,962)	-	3,331	-	-	3,331
Book Club	53	34	(24)	-	63	-	-	63
PSAT	114	1,344	(624)	-	834	-	-	834
Archery Tourney	318	-	(318)	-	-	-	-	-
Yearbook Ads	21,425	12,588	(8,862)	(1,740)	23,411	-	-	23,411
Sophomore Class	-	725	(526)	(25)	174	-	-	174
Miss FCHS Pageant	-	400	-	(400)	-	-	-	-
Subtotal	\$ 33,315	\$ 81,247	\$ (73,841)	\$ (1,889)	\$ 38,832	\$ -	\$ -	\$ 38,832

**FRANKLIN COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS
FRANKLIN COUNTY HIGH SCHOOL
for the year ended June 30, 2019**

	Cash Balances				Cash Balances	Accounts	Accounts	Fund Balances
	Beginning	Receipts	Disbursements	Transfers	Year End	Year End	Year End	Year End
Dance Team	\$ 133	\$ 5,303	\$ (3,298)	\$ 600	\$ 2,738	\$ -	\$ -	\$ 2,738
FB Bowls	14	-	-	-	14	-	-	14
Archery Team	226	1,687	(1,741)	-	172	-	-	172
Track Team	264	3,306	(3,690)	720	600	-	-	600
Soccer Camp	9,288	-	(9,255)	(33)	-	-	-	-
Band Camp	153	-	-	-	153	-	-	153
Boys soccer	-	5,000	(1,776)	16	3,240	-	-	3,240
Girls soccer	-	6,200	(3,689)	321	2,832	-	-	2,832
Cross Country Team	10,701	18,975	(15,700)	(3,240)	10,736	-	-	10,736
Spanish Club	143	238	(215)	-	166	-	-	166
Flyer Connection	716	12,262	(10,803)	1,139	3,314	-	-	3,314
Young Democrats	381	167	(188)	(55)	305	-	-	305
Fellowship/Christian	5	-	-	195	200	-	-	200
Young Republicans	152	-	-	-	152	-	-	152
SB Player Fees	-	7,400	(5,806)	-	1,594	-	-	1,594
VB Team	49	-	-	(49)	-	-	-	-
Step Team/Club	464	2,611	(2,340)	(24)	711	-	-	711
Film Club	550	-	-	-	550	-	-	550
Junior Class	538	28	(65)	(501)	-	-	-	-
Boys Golf Team	40	-	-	(40)	-	-	-	-
Girls B-Ball Trip	11	10,493	(5,530)	(4,974)	-	-	-	-
All Region Team Trophies	-	120	(120)	-	-	-	-	-
Totals	\$ 66,719	\$ 331,004	\$ (315,351)	\$ -	\$ 82,372	\$ -	\$ -	\$ 82,372



**INDEPENDENT AUDITORS' 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**

To the State Committee for School District Audits and
Members of the Board of Education
Franklin County School District

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Franklin County School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Franklin County School District's basic financial statements and have issued our report thereon dated December 12, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 a 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 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 weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items (2019-001 and 2019-002) that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Franklin County School District's financial statements are free from 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*.

We noted certain matters that we reported to management of the Franklin County School District, in a separate letter dated December 12, 2019.

Franklin County School District's Response to Findings

Franklin County School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Franklin County School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control 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 control and compliance. Accordingly, this communication is not suitable for any other purpose.

RFH

RFH, PLLC
Lexington, Kentucky
December 12, 2019



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the State Committee for School District Audits and
Members of the Board of Education
Franklin County School District

Report on Compliance for Each Major Federal Program

We have audited the Franklin County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Franklin County School District's major federal programs for the year ended June 30, 2019. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the 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; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the 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 the Franklin County School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Franklin County School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of the Franklin County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Franklin County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 a 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 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 over compliance that we consider to be 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 internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

RFH

RFH, PLLC
Lexington, Kentucky
December 12, 2019

**FRANKLIN COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the year ended June 30, 2019**

GRANTOR/PROGRAM TITLE	Federal CFDA Number	Pass Through Grantor's Number	Expenditures
U.S. Department of Agriculture (USDA)			
Passed through Kentucky Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	7750002	\$ 1,748,151
National School Breakfast Program	10.553	7760005	642,412
		7690024/	
Summer Food Service Program for Children	10.559	7740023	94,090
Passed through Kentucky Department of Agriculture			
Commodities (Note 2)	10.555	Note 6	<u>180,736</u>
Total U.S. Department of Agriculture			<u>\$ 2,665,389</u>
U.S. Department of Education			
Passed through Kentucky Department of Education			
Title I, Part A Cluster	84.010	3100002	<u>\$ 1,413,991</u>
Title I, Neglected and Delinquent Children and Youth	84.013	Note 6	<u>13,596</u>
Special Education Cluster (IDEA)			
Special Education - Grants to States (IDEA, Part B)	84.027	3810002	1,279,596
Special Education - Preschool Grants (IDEA, Preschool)	84.173	3800002	<u>83,641</u>
Total Special Education Cluster (IDEA)			<u>1,363,237</u>
Vocational Education	84.048	3710002/ 3710006	<u>65,585</u>
Service Projects - Project Respect	84.128	Note 6	<u>44,110</u>
Title III: Limited English Proficiency	84.365	3300002	<u>34,905</u>
Student Support and Academic Enrichment Grant	84.424	Note 6	<u>56,726</u>
Improving Teacher Quality State Grants	84.367	3230002	<u>182,330</u>
Total U.S. Department of Education			<u>\$ 3,174,480</u>
Total expenditures of federal awards			<u>\$ 5,839,869</u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in, or used, in the preparation of, the basic financial statements may differ from those numbers.

Note 2 - Nonmonetary assistance is reported in the schedule at the fair market value of the commodities disbursed.

Note 3 - The District did not pass through any funds to subrecipients.

Note 4 - Indirect Cost Rates

The District did not elect to use the 10 percent de minimis cost rate as allowed under the Uniform Guidance.

Note 5 - Passthrough entity numbers are presented when available.

Note 6 - Pass through grantor's number not available.

**FRANKLIN COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2019**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

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

Non-compliance material to financial statements noted	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
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Federal Awards:

Internal control over major programs:

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

Type of auditors' report issued on compliance for major programs:

Unmodified for all major programs.

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
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Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.027 and 84.173	Special Education Cluster (IDEA)
84.010	Title I, Part A Cluster

Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
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Auditee qualified as a low-risk auditee?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
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II. FINDINGS RELATED TO FINANCIAL STATEMENTS

Finding 2019-001 (Repeat)

Criteria:

The District should have internal controls in place to allow it to complete the fiscal year-end financial reporting process and identify and correct material misstatements.

Condition:

The District on occasion takes on large construction projects, issues debt and implements new accounting standards. In addition, the District is required to record year end accrual entries for accounts payable to present financial statements in accordance with generally accepted accounting principles. The District had turnover in the finance department during the year end accrual process.

Cause:

During the fiscal year the District had complex activity related to construction and a debt issuance. Inexperience with this type of activity, as well as turnover during the year end closing process, caused the District's unadjusted financial statements to be materially misstated.

II. FINDINGS RELATED TO FINANCIAL STATEMENTS (CONTINUED)

Effect:

Material audit adjustments were required so that the District's financial statements were fairly stated.

Recommendation:

We recommend the District review its controls over the fiscal year-end financial reporting process. We recommend when management encounters unusual or complex financial activity, they engage a consultant to help management identify adjustments required so that its financial statements are fairly presented.

Response:

The new finance officer will attend trainings and review accounting processes to ensure transactions are properly recorded to prevent future issues. The finance officer will consult with the auditor to clarify further questions on fiscal year-end financial reporting processes.

Finding 2019-002

Criteria:

Segregation of duties is required to ensure internal controls are operating effectively. No one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. If segregation of duties is limited due to the staff size, compensating controls and reviews should be in place to ensure appropriate oversight.

Condition:

The District's segregation of accounting duties and related compensating controls was not adequate to ensure expenditures were recorded accurately in the financial statements.

Cause:

Members of the finance department are able to both control physical assets and perform accounting functions related to those assets. Compensating controls were not operating effectively to mitigate the risk caused by the inadequate segregation of duties.

Effect:

The District recorded inappropriate financial statement activity, including issuance of checks that were not valid budgetary expenditures. Material misstatements were noted as a result of the activity.

Recommendation:

We recommend the District review its internal controls related to the cash disbursement process. Monthly bank statements and cancelled checks should be received and reviewed by someone other than the employee maintaining cash records. The statements should be reviewed prior to turning them over for reconciliation. Reconciliations should also be reviewed, once completed. We recommend that the District maintain a log that shows all check runs and the log should be signed and dated by the individual who performed the check runs. The District should re-emphasize the importance of each employee not allowing other employees to access their accounting software log-in information. Access to certain accounting software features should be limited to the individual needing access to perform their duties. All purchases should be in accordance with the District's purchasing policy and all purchases should be supported with a completed signed purchase order. Purchase orders should not be initiated or approved by staff involved in the check writing process. The District should evaluate whether additional staff is needed in the finance department to either properly segregate duties or provide appropriate compensating controls that function as designed.

Response:

The new finance officer will try to establish and monitor effective internal controls to the extent feasible within the staffing constraints. The finance officer will work closely with the auditor and consult with other districts on best practices for segregation of duties within a school district.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE

IV. PRIOR AUDIT FINDINGS

Condition 2019-001 is a repeat finding from the prior year.



Members of the Board of Education
Franklin County School District
Frankfort, Kentucky

In planning and performing our audit of the financial statements of the Franklin County School District for the year ended June 30, 2019, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated December 12, 2019 on the financial statements of the Franklin County Board of Education. We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Respectfully,

RFH

RFH, PLLC
December 12, 2019

**Franklin County School District
Management Letter Comments
June 30, 2019**

DISTRICT

Current Year Comments

None.

Status of Prior Year Comments

There were no management letter comments at the District level in the prior year.

**Franklin County School District
Management Letter Comments
June 30, 2019**

SCHOOL ACTIVITY FUNDS

FRANKLIN COUNTY HIGH SCHOOL

2019-01: Purchase Orders

Condition:

During testing multiple instances of purchases approved after being obligated were noted. Purchase orders should be completed prior to all purchases.

Response:

Principals and bookkeepers will attend Redbook trainings annually at a minimum, with additional trainings and resources available. The district will increase the audience for future Redbook trainings to include teachers, athletic coaches, external booster groups, and SBDM individuals to increase awareness of Redbook procedures. Purchases made without a pre-approved order will not be honored by the school.

Status of Prior Year Comments

Condition 2019-01 is a repeat finding from the prior year. No other findings from the prior year were noted.

WESTERN HILLS HIGH SCHOOL

2019-01: Purchase Orders

Condition:

During testing multiple instances of purchases approved after being obligated were noted. Purchase orders should be completed prior to all purchases.

Response:

Principals and bookkeepers will attend Redbook trainings annually at a minimum, with additional trainings and resources available. The district will increase the audience for future Redbook trainings to include teachers, athletic coaches, external booster groups, and SBDM individuals to increase awareness of Redbook procedures. Purchases made without a pre-approved order will not be honored by the school.

2019-02: Receipts

Condition:

Money should be remitted to the treasurer on the date of collection, or if collected after hours, the following business day. Testing disclosed instances of money not being remitted timely to the treasurer. Testing also disclosed an instance that form F-SA-6 was not completed.

**Franklin County School District
Management Letter Comments
June 30, 2019**

WESTERN HILLS HIGH SCHOOL (CONTINUED)

2019-02: Receipts, continued

Response:

Principals and bookkeepers will attend Redbook trainings annually at a minimum, with additional trainings and resources available. The district will increase the audience for future Redbook trainings to include teachers, athletic coaches, external booster groups, and SBDM individuals to increase awareness of Redbook procedures. Principals and bookkeepers will ensure that all money is deposited daily and staff will be reminded that money must be turned in daily. As money is turned in on the Multiple Receipt Form, bookkeepers are double checking to make sure the form is complete, specifically including dates, signatures, and totals or the money will not be deposited into the account until the form is corrected.

Status of Prior Year Comments

Condition 2019-01 is a repeat finding from the prior year. No other findings from the prior year were repeated.

FRANKLIN COUNTY CAREER AND TECHNICAL CENTER

No findings in the current year.

Status of Prior Year Comments

No findings from the prior year were repeated.

ELKHORN MIDDLE SCHOOL

No findings in the current year.

Status of Prior Year Comments

No findings from the prior year were repeated.

**Franklin County School District
Management Letter Comments
June 30, 2019**

BONDURANT MIDDLE SCHOOL

2019-01: Receipts

Condition:

Money should be remitted to the treasurer on the date of collection, or if collected after hours, the following business day. Testing disclosed instances of money not being remitted timely to the treasurer.

Response:

Principals and bookkeepers will attend Redbook trainings annually at a minimum, with additional trainings and resources available. The district will increase the audience for future Redbook trainings to include teachers, athletic coaches, external booster groups, and SBDM individuals to increase awareness of Redbook procedures. Principals and bookkeepers will ensure that all money is deposited daily and staff will be reminded that money must be turned in daily.

2019-02: Purchase Orders

Condition:

During testing, instances of purchases being approved after being obligated were noted. There was also a purchase that was operational that should have been purchased at the District level. Purchase orders should be completed prior to all purchases and operational purchases should be made at the District level.

Response:

Principals and bookkeepers will attend Redbook trainings annually at a minimum, with additional trainings and resources available. The district will increase the audience for future Redbook trainings to include teachers, athletic coaches, external booster groups, and SBDM individuals to increase awareness of Redbook procedures. Purchases made without a pre-approved order will not be honored by the school.

Status of Prior Year Comments

Condition 2019-02 is a repeat finding from the prior year. No other findings from the prior year were repeated.

**Franklin County School District
Management Letter Comments
June 30, 2019**

BRIDGEPORT ELEMENTARY SCHOOL

2019-01: Purchase Orders

Condition:

During testing, multiple instances of purchases approved after being obligated were noted. Purchase orders should be completed prior to all purchases.

Response:

Principals and bookkeepers will attend Redbook trainings annually at a minimum, with additional trainings and resources available. The district will increase the audience for future Redbook trainings to include teachers, athletic coaches, external booster groups, and SBDM individuals to increase awareness of Redbook procedures. Purchases made without a pre-approved order will not be honored by the school.

Status of Prior Year Comments

Condition 2019-01 is a repeat finding from the prior year. No other findings from the prior year were repeated.

COLLINS LANE ELEMENTARY

2019-01: Purchase Orders

Condition:

During testing, an instance of a purchase approved after being obligated was noted. Purchase orders should be completed prior to all purchases.

Response:

Principals and bookkeepers will attend Redbook trainings annually at a minimum, with additional trainings and resources available. The district will increase the audience for future Redbook trainings to include teachers, athletic coaches, external booster groups, and SBDM individuals to increase awareness of Redbook procedures. Purchases made without a pre-approved order will not be honored by the school.

Status of Prior Year Comments

There were no prior year conditions repeated in the current year.

EARLY LEARNING VILLAGE EAST

No findings in the current year.

Status of Prior Year Comments

There were no prior year conditions repeated in the current year.

**Franklin County School District
Management Letter Comments
June 30, 2019**

ELKHORN ELEMENTARY

2019-01: Receipts

Condition:

Teachers, sponsors, or students shall use the Multiple Receipt Form (Form F-SA-6) or pre-numbered receipts when collecting money. Testing disclosed an instance that form F-SA-6 was not completed.

Response:

Principals and bookkeepers will attend Redbook trainings annually at a minimum, with additional trainings and resources available. The district will increase the audience for future Redbook trainings to include teachers, athletic coaches, external booster groups, and SBDM individuals to increase awareness of Redbook procedures. As money is turned in on the Multiple Receipt Form, bookkeepers are double checking to make sure the form is complete, specifically including dates, signatures, and totals or the money will not be deposited into the account until the form is corrected.

Status of Prior Year Comments

There were no prior year conditions repeated in the current year.

HEARN ELEMENTARY

2019-01: Purchase Orders

Condition:

During testing, an instance of a purchase approved after being obligated was noted. Purchase orders should be completed prior to all purchases.

Response:

Principals and bookkeepers will attend Redbook trainings annually at a minimum, with additional trainings and resources available. The district will increase the audience for future Redbook trainings to include teachers, athletic coaches, external booster groups, and SBDM individuals to increase awareness of Redbook procedures. Purchases made without a pre-approved order will not be honored by the school.

Status of Prior Year Comments

Condition 2019-01 is a repeat finding from the prior year. No other findings from the prior year were repeated.

**Franklin County School District
Management Letter Comments
June 30, 2019**

PEAKS MILLS ELEMENTARY SCHOOL

No findings in the current year.

Status of Prior Year Comments

There were no prior year conditions repeated in the current year.

WESTRIDGE ELEMENTARY SCHOOL

2019-01: Purchase Orders

Condition:

During testing an instance of a purchase approved after being obligated was noted. Purchase orders should be completed prior to all purchases.

Response:

Principals and bookkeepers will attend Redbook trainings annually at a minimum, with additional trainings and resources available. The district will increase the audience for future Redbook trainings to include teachers, athletic coaches, external booster groups, and SBDM individuals to increase awareness of Redbook procedures. Purchases made without a pre-approved order will not be honored by the school.

Status of Prior Year Comments

Condition 2019-01 is a repeat finding from the prior year. No other findings from the prior year were repeated.