

**Franklin County Extension Service District Board  
Basic Financial Statements  
Supplementary Information &  
Independent Auditor's Report  
June 30, 2016**

**Rick R. Waddle, Jr., CPA, PLLC  
17 Whitebridge Lane  
Frankfort, Kentucky 40601  
(502) 352-2950**

Table of Contents

**Independent Auditor’s Report** ..... 1-2

**Management’s Discussion and Analysis** ..... 3-7

**Basic Financial Statements:**

**Government-wide Financial Statements:**

        Statement of Net Assets.....8

        Statement of Activities .....9

**Fund Financial Statements:**

        Balance Sheet - Governmental Funds .....10

        Reconciliation of the Statement of Net Assets of Governmental Funds to the Balance Sheet.....11

        Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds .....12

        Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Revenues .....13

**Notes to the Basic Financial Statements** ..... 14-19

**Required Supplementary Information:**

    Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund .....20

    Notes to Required Supplementary Information.....21

**Independent Auditor’s Report on Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***..... 22-23

Members of the Franklin County Extension Service District Board  
Frankfort, Kentucky 40601

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

We have audited the accompanying financial statements of the governmental activities and each major fund of Franklin County Extension Service District Board, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Franklin County Extension Service District Board'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.

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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, each major fund, and the aggregate remaining fund information of the Franklin County Extension Service District Board, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As described in Note 1 to the financial statements, in the prior year, the Board adopted new accounting guidance, GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to these matters.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–7 and 20-21 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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2017, on our consideration of the Franklin County Extension Service District Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Franklin County Extension Service District Board's internal control over financial reporting and compliance.

***Rick R. Waddle, Jr., CPA***

Frankfort, Kentucky  
June 15, 2017

### **Management's Discussion and Analysis For the Year Ended June 30, 2016**

Our discussion and analysis of the Franklin County Extension Service District Boards financial performance provides an overview of the Board's financial activities for the fiscal year ended June 30, 2016. Please review it in conjunction with the financial statements, which begin on page 8.

## **Financial Highlights**

Total net assets decreased \$444,746 and the Board expended \$421,804 on capital assets during the current year a majority of which were for the expansion of the building.

The Board had \$975,379 in expenses related to governmental activities with \$530,633 in revenues to cover the cost of their programs.

## **Using This Annual Report**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 8-9) provide information about the activities of the Board as a whole and present a longer-term view of the Board's finances. Fund financial statements start on page 10. These statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Board's operations in more detail than the government-wide financial statements.

## **Reporting the Board as a Whole**

### **The Statement of Net Assets and The Statement of Activities**

Our analysis of the Board as a whole begins on page 8. One of the most important questions asked about the Board's finances is "Is the Board as a whole better off or worse as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Board as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Board's net assets and changes in them. You can think of the Board's assets, the difference between assets, what the Board owns, and liabilities, what the Board owes, as one way to measure the Board's financial health, or financial position. Over time, increases or decreases in the Board's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, to assess the overall health of the Board.

Net assets of the Board's activities decreased \$444,746. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements decrease from \$932,851 to \$533,848.

Table 1 compares the 2016 change in net assets to the 2015 change in net assets:

**Table 1**  
**Changes in Net Assets For 2016 Compared With 2015 Activity**

	<u>2016</u>	<u>2015</u>	<u>Change</u>
General Revenues:			

Property Taxes	\$529,122	\$518,406	2.03%
Rent	450	250	44.44%
Other	<u>1,061</u>	<u>1,579</u>	<u>-48.82%</u>
Total Revenues	<u>\$530,633</u>	<u>\$520,235</u>	<u>1.96%</u>
Government Expenses			
General Government	<u>975,379</u>	<u>527,811</u>	<u>45.89%</u>
Change in Net Position	(444,746)	(7,576)	-98.30%
Net Position Beginning of Year	<u>1,168,696</u>	<u>1,176,272</u>	<u>-0.65%</u>
Net Position End of Year	<u>\$723,950</u>	<u>\$1,168,696</u>	<u>-61.43%</u>

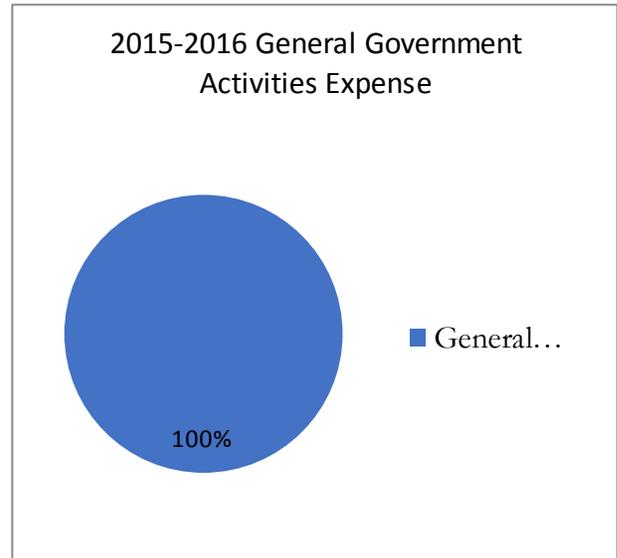
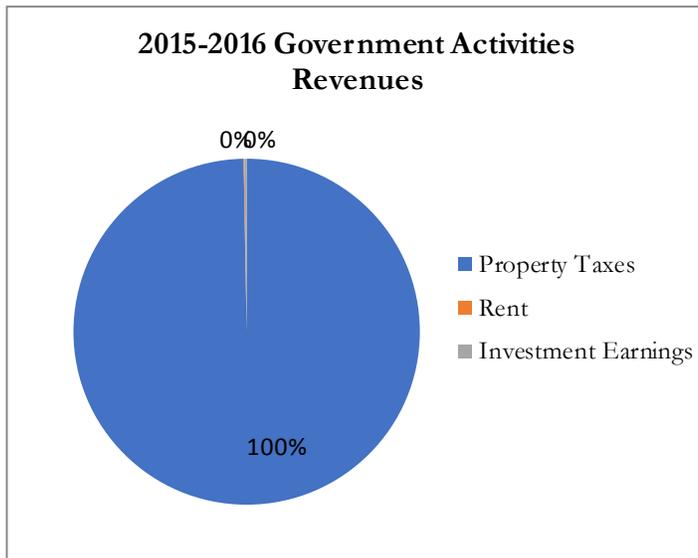


Table 2 presents the cost of each of the Board’s programs as well as each program’s net cost (total cost less revenues generated by activities). The net cost shows the financial burden that was placed on the Board by each of these functions.

**Table 2  
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>
General Government	\$527,811	\$975,379	\$(7,576)	\$(444,746)

The decrease in general government from 2015 to 2016 of \$444,746 can be attributed to rising costs of operating and staffing the Board building.

**The Board’s Fund**

Table 3 presents a summary of governmental fund revenues for the 2016 fiscal year and the amounts and percentages of increases in relation to the prior year.

**Table 3**

**Total Governmental Fund Revenues**

<b>Revenue Source</b>	<b>2016 <u>Amount</u></b>	<b>Percent <u>of Total</u></b>	<b>Increase (Decrease) <u>over 2015</u></b>	<b>Percent Increase <u>(Decrease)</u></b>
Property Taxes	\$529,122	99.72%	\$10,716	2.03%
Rent	450	0.08%	200	44.44%
Investment Earnings	<u>1,061</u>	<u>0.20%</u>	<u>(518)</u>	<u>-48.82%</u>
<b>Total</b>	<b><u>\$530,633</u></b>	<b><u>100%</u></b>	<b><u>\$10,398</u></b>	<b><u>1.96%</u></b>

**Table 4  
Final Budget Versus Actual Results  
General Fund**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues:</b>			
Property Taxes	\$ 500,416	\$ 529,122	\$ (28,706)
Rent	-	450	(450)
Investment Earnings	1,336	1,061	275
			-
<b>Expenses:</b>			-
Total General Government	501,752	530,633	(28,881)

**Final Budget versus Actual Results**

The variance in Property Taxes was due to better than expected collections.

**Capital Assets and Debt Administration**

**Capital Assets**

The Board's investment in capital assets, net of accumulated depreciation, for governmental activities as of June 30, 2016 was \$1,039,916..

5  
**Table 5  
Capital Assets  
Net of Accumulated Depreciation**

	Governmental	
	Activities	
	2016	2015
Depreciable Assets:		
Buildings	\$ 1,021,875	\$ 627,086
Furniture, Machinery, & Equipment	<u>18,041</u>	<u>7,772</u>
Total	<u>\$ 1,039,916</u>	<u>\$ 634,858</u>

Future capital budget plans will be funded through cash reserves and excess operating revenue to the extent possible.

## **Reporting the Board's Fund**

### **Fund Financial Statements**

The fund financial statements beginning on page 9 provides detailed information about the most significant funds-not the Board as a whole. The Board has one main set of funds-*governmental*. *Governmental funds*-The Board's services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual accounting*, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Board's operations and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Board's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation after the fund financial statements.

### **Notes to the Basic 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 14-19 of this report.

### **The Board as a Whole**

The Board's total net assets changed from a year ago, increasing from \$1,567,709 to \$1,573,764. Our analysis below focuses on the net assets and changes in net assets of the Board's governmental activities.

	<u>2016</u>	<u>2015</u>
Current and Other Assets	557,511	\$ 940,425
Accounts Receivable	17,056	2,125
Capital Assets	<u>1,039,916</u>	<u>634,858</u>
Total Assets	<u>1,614,483</u>	<u>1,577,408</u>
Liabilities	<u>40,719</u>	<u>9,699</u>
Total Liabilities	<u>40,719</u>	<u>9,699</u>
	<u>2016</u>	<u>2015</u>
Net Position:		
Invested in Capital Assets	1,039,916	\$ 634,858
Unrestricted	<u>533,848</u>	<u>932,851</u>
Total Net Positon	<u>1,573,764</u>	<u>\$ 1,567,709</u>

### **Economic Factors and Next Year's Budget and Rates**

The Board's activities are primarily funded through property taxes. This is not expected to change in the future. Franklin County Extension Service District Board should maintain a slight increase in revenues yearly. The Board's annual budget takes into account the historical trends of the overall economy.

### **Request for Information**

This financial report is designed to provide a general overview of the Board's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Franklin County Extension Service District Board, 101 Lakeview Court, Frankfort, Kentucky 40601.

## Statement of Net Position

June 30, 2016

## Assets

## Current Assets:

Cash and Cash Equivalents	\$557,511
Accounts Receivable	<u>17,056</u>
Total Current Assets	<u>574,567</u>

## Noncurrent Assets:

Capital Assets, Net of Accumulated Depreciation	<u>1,039,916</u>
Total Assets	<u>1,614,483</u>

## Liabilities

## Current Liabilities:

Accounts Payable	<u>40,719</u>
Total Current Liabilities	<u>40,719</u>
Total Liabilities	<u>40,719</u>

## Net Position

Invested in Capital Assets	1,039,916
Unrestricted	<u>533,848</u>
Total Net Position	<u>\$1,573,764</u>

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

Franklin County Extension  
Service District Board  
Statement of Activities  
For the Year Ended June 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>
		Charges for Services	Operating Grants and Contributions	and Change in Net Assets
				<u>Governmental Activities</u>
Governmental Activities				
General Government	<u>\$975,379</u>	\$ -	\$ -	<u>\$(975,379)</u>
Total Governmental Activities	<u>\$975,379</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$(975,379)</u>
General Revenues				
Property Taxes				529,122
Rent				450
Investment Earnings				<u>1,061</u>
Total General Revenues				<u>530,633</u>
Change in Net Position				\$(444,746)
Net Position, Beginning				<u>1,567,709</u>
Net Position, Ending				<u><u>\$1,122,963</u></u>

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

## Franklin County Extension Service District Board

## Balance Sheet - Governmental Funds

June 30, 2016

Assets			
Current Assets			
	Cash and Cash Equivalents		\$ 557,511
	Accounts Receivable		<u>17,056</u>
	Total Current Assets		<u>574,567</u>
	Total Assets		<u>\$ 574,567</u>
Liabilities and Fund Balances			
Liabilities			
	Accounts Payable		\$ <u>40,719</u>
	Total Liabilities		<u>40,719</u>
Fund Balances			
	Assigned		50,000
	Unassigned		<u>483,848</u>
	Total Fund Balances		<u>533,848</u>
	Total Liabilities and Fund Balances		<u>\$ 574,567</u>

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

Franklin County Extension Service District Board						
Reconciliation of Total Governmental Fund Balances to						
the Net Assets of Governmental Activities						
						June 30, 2016
Total governmental fund balances						\$ 533,848
Amounts reported in governmental activities in the statement of net assets are different because:						
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$710,189						1,039,916
Certain liabilities are not due and payable in current period and therefore, are not reported in the funds.						
Portion of Accounts Payable						-
Net assets of governmental activities						<u>\$ 1,573,764</u>

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



Franklin County Extension Service District Board							
Reconciliation of the Statement of Revenues, Expenditures, and							
Changes in Fund Balance of Governmental Funds to the							
Statement of Activities							
For the Year Ended June 30, 2016							
Net change in governmental fund balances							\$ (399,003)
Amounts reported for the governmental activities in							
the statement of activities are different because:							
Governmental funds report capital outlays as expenditures; however, in							
the statement of activities, the cost of those assets is allocated over their							
useful lives and reported as depreciation expense. This is the amount							
by which depreciation \$45,743 exceeded capital outlay of \$450,801 in							
the current period.							
							<u>(45,743)</u>
Change in net position of governmental activities							
							<u>\$ (444,746)</u>

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

## Notes to the Basic Financial Statements

## Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Franklin County Extension Service District Board (the Board) conform to U.S. generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the Board's significant accounting principles follows:

### A. Reporting Entity

The Franklin County Extension Service District Board is a cooperative effort of the county, state and federal governments. The Board funds office operations and portions of salaries. Through the University of Kentucky, federal and state governments pay the salaries of the county agriculture and family consumer sciences agents and a portion of the 4-H agent. Federal, state and county support is received indirectly through the University's research and instructional efforts.

### B Basis of Presentation

The basic financial statements include both government-wide statements and fund financial statements. Each presentation provides valuable information that can be analyzed and compared between years.

**1. Government-wide statements** provide information about the board. The statements include a statement of net assets and a statement of activities. These statements report the financial activities of the overall board. Governmental activities generally are financed through taxes, charges for services, and operating grants and contributions.

A statement of activities presents a comparison between direct expenses and program revenues for each function of the board's governmental activities. Direct expenses are those that are specifically associated with a program or function and therefore, are clearly identifiable to a particular function.

Revenues that are not classified as program revenues, including property taxes, are reported as general revenues.

**2. Fund financial statements** provide information about the board's fund. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The board reports the following major governmental fund:

The *General Fund* is the primary operating fund. It accounts for all financial resources of the board.

### C. Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized at the liabilities are incurred, regardless of the timing of when the related cash flows take place. Property taxes are recognized as revenues in the year for which they are levied.

Governmental funds in the fund-based financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Board considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after fiscal year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

**Note 1 – Summary of Significant Accounting Policies (Continued)**

**D. Cash and Investments**

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Board. All deposits are insured by the Federal Depository Insurance Corporation (FDIC) and collateralized by securities.

The Board considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments for the Board are reported at fair value and consist solely of certificates of deposit with local financing institutions.

**E. Capital Assets**

Capital assets are reported at actual cost. Donated assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported to the government-wide statements are as follows:

	Capitalization	Depreciation	Estimated
	<u>Threshold</u>	<u>Method</u>	<u>Useful Life</u>
Land	All		
Building	\$ 1,000	Straight-Line	31
Machinery & Equipment	\$ 1,000	Straight-Line	5-7

**F. Investment Income**

Investment income is composed of interest income.

**G. Property Tax Revenue**

Property tax revenues are collected by Franklin County and are generally remitted to the Board on a monthly basis. Property tax revenue is recognized as revenues for the month reported and collected by Franklin County. The Franklin County PVA prepares the bills in the fall of each year and jointly bills the Franklin County and Board real property taxes. Property taxes are levied and become a lien as of January 1<sup>st</sup> based on assessed property values as of that date.

**H. Insurance**

The Board is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, personal injury liability, and natural disasters. During 2015, the Board contracted with the Kentucky Association of Counties for liability, property, and crime damage. These risks are covered by commercial insurance purchased from independent third parties. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. Settled claims from these risks have not exceeded commercial insurance coverage for the past three fiscal years.

The Board has had no significant reduction in insurance coverage from prior years.

## **Note 1 – Summary of Significant Accounting Policies (Continued)**

### **I. Fund Equity**

#### Government-wide Statements

Equity is classified as net assets and displayed in three components (when applicable):

- a. Invested in capital assets, net of related debt - Consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets - Consists of net assets with constraints on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

#### Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved (when applicable) and unreserved.

### **J. Use of Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### **K. Intergovernmental Grants and Aid**

Grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenues when entitlement occurs. Reimbursement grants are recorded as intergovernmental receivables and revenues when the related expenditures are incurred. Reimbursements not received within 60 days subsequent to fiscal year-end are reported as deferred revenues in the governmental fund financial statements.

## **Note 2 – Deposits and Investments**

The Board has the primary responsibility for the management of the investment portfolio and operating funds. The Board is authorized to delegate, at its discretion, certain investment and fund management functions and responsibilities to either the Director of the Board and the Treasurer or the Budget/Finance Committee of the Board of Trustees. Within the limitations of this policy statement the investment portfolio will be managed to provide essential liquidity for the operation of the Board and safety of the monies invested. As of June 30, 2015, all investments are in certificates of deposit.

The Board requires that all deposits in financial institutions should be insured by the Federal Deposit Insurance Corporation (FDIC) or the Federal Savings and Loan Insurance Corporation (FSLIC). Any funds held in a financial institution in excess of the amount insured by one of these two agencies will be collateralized by securities which meet the standards of collateralization for the Commonwealth of Kentucky as stated in KRS 42.500.

#### Custodial Credit Risk

In the case of deposits, this is the risk that in the event of a bank failure, the Board’s deposits may not be returned to it. As of June 30, 2016, all of the Board’s deposits were FDIC insured.

For an investment, this is the risk that, in the event of the failure of the bank or its agent, the Board will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All securities that have been pledged as collateral are held by third parties in the Board’s name.

**Note 2 – Deposits and Investments (continued)**

Presently, the Board does not have a formal investment policy that refers to credit risk, concentration of credit risk, interest rate risk or foreign currency risk.

**Note 3 – Capital Assets**

Capital asset activity for the year ended June 30, 2016, was as follows:

	<u>Buildings</u>	<u>Capital Assets Depreciated Furniture, Machinery, and Equipment</u>	<u>Totals</u>
<i>Governmental Activities</i>			
Capital Assets			
Balance, June 30, 2015	\$1,235,626	\$63,678	\$1,299,304
Increases	433,592	17,209	\$450,801
Decreases	<u>-</u>	<u>-</u>	<u>-</u>
Balance, June 30, 2016	<u>1,669,218</u>	<u>80,887</u>	<u>1,750,105</u>
Accumulated Depreciation			
Balance, June 30, 2015	608,540	55,906	664,446
Increases	38,803	6,940	45,743
Decreases	<u>-</u>	<u>-</u>	<u>-</u>
Balance, June 30, 2016	<u>647,343</u>	<u>62,846</u>	<u>710,189</u>
Capital Assets, Net	<u>\$1,021,875</u>	<u>\$18,041</u>	<u>\$1,039,916</u>

Depreciation expense was charged to the following Board’s function:

Governmental activities:	
General government	<u>\$45,743</u>

**Note 4 – Government Expenditures**

The following is a summary of government expenditures for the Board for the fiscal year ended June 30, 2016:

Agent Program Support	\$ 21,784
Office Operations	141,149
Professional Development	8,456
Profesional Travel	22,315
University of Kentucky Reimbursement	285,131
Depreciation	<u>45,743</u>
Total	<u>\$524,578</u>

**Note 5 – Litigation**

The Board did not have any pending litigation or potential non-disclosed litigation as of June 30, 2016.

## **Note 6 – Budgetary Process**

The budgetary process is prescribed by provisions of the Kentucky Revised Statute and entails the preparation of budgetary documents within an established timetable. The budget is officially adopted by the governing body prior to the beginning of the fiscal year. Annual budgets are adopted on a basis consistent with generally accepted accounting principles. The Board approves and appropriates the budgets annually. All annual appropriations lapse at fiscal year-end. No budgetary modifications or amendments were necessary during the year.

The Board adopted the 2015-2016 with the use of \$400,000 for capital outlay funds, which were used in the fiscal year. The Board only uses one fund for budgeting and operations.

## **Note 7 – Lease Income**

The Board no longer receives lease income from Kentucky State University Cooperative Extension Service Area for office space. The lease was discontinued during the prior year.

## **Note 8 – University of Kentucky Reimbursements**

The Board has an arrangement with the University of Kentucky to supply services to the Board. A fiscal year budget is submitted which includes the salaries of three secretaries and one agent and the remainder of the 4-H agent salary, rent, computer lines and supplies purchased from the University. The Board forwards the budgeted amount to the University of Kentucky in three installments and the University pays these expenses. At year end, any money not expended is returned to the Board. Any expenditure over the budgeted amount is billed to the Board.

## **Note 9 – Subsequent Events**

Subsequent events have been evaluated through June 15, 2017, which is the date the financial statements were available to be issued.

## **Note 10 – Fund Balances**

The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balances are amounts that cannot be spent because they are either not in a spendable form (such as inventories or prepaid amounts) or are legally or contractually required to be maintained intact.
- Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as those through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.
- Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority. The Board must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment.
- Assigned fund balances are those amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board allows program supervisors to complete purchase orders which result in encumbrance of funds. Assigned fund balances also includes (a) all remaining amounts (except negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

## **Note 10 – Fund Balances (continued)**

- Unassigned fund balance is the residual classification for the general fund. The classification represents fund balance that has not been assigned to the other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.
- The Board considers unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Also, the Board has established the order of assigned, committed and restricted when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

At June 30, 2016, the Board had assigned funds for the expansion of the building.

In fiscal year 2015, the Board adopted three new accounting standards:

GASB Statement No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (GASB 62), incorporates into GASB's authoritative literature certain accounting and financial reporting guidance included in FASB pronouncements, which do not conflict with or contradict GASB pronouncements, and eliminates the criteria to apply post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63), establishes a new statement of net position format that reports separately all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements). The Statement requires deferred outflows of resources and deferred inflows of resources to be reported separately from assets and liabilities. The financial reporting impact resulting from the implementation of GASB 63 in the Board's financial statements was the renaming of "Net Assets" to "Net Position," including changing the name of the financial statement to "Statement of Financial Position."

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65), amends or supersedes the accounting and financial reporting guidance for certain items previously required to be reported as assets or liabilities. The objective is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources (expenses) or inflows of resources (revenues).

## Required Supplementary Information

Franklin County Extension Service District Board			
Statement of Revenues, Expenditures, and Changes in			
Fund Balance - Budget and Actual - Budgetary Basis - General Fund			
For the Year Ended June 30, 2016			
			Variance With
	<u>Budgeted Amounts</u>		Final Budget
	Original and Final	Actual	Positive (Negative)
Revenues			
Property Taxes	\$ 500,416	\$ 529,122	\$ 28,706
Rent	-	450	450
Investment Earnings	<u>1,336</u>	<u>1,061</u>	<u>(275)</u>
Total Revenues	<u>501,752</u>	<u>530,633</u>	<u>28,881</u>
Expenditures			
Agent Program Support	35,000	21,784	13,216
Capital Outlay	400,000	450,801	(50,801)
Contingency			-
Office Operations	161,711	141,149	20,562
Professional Development	16,250	8,456	7,794
Professional Travel	33,700	22,315	11,385
University of Kentucky Reimbursement	<u>302,188</u>	<u>285,131</u>	<u>17,057</u>
Total Expenditures	<u>948,849</u>	<u>929,636</u>	<u>19,213</u>
Net Change in Fund Balance	(447,097)	(399,003)	48,094
Fund Balance, Beginning	<u>932,851</u>	<u>932,851</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 485,754</u>	<u>\$ 533,848</u>	<u>\$ 48,094</u>

**Note 1 – Budgeting and Budgetary Control**

Kentucky Revised Statutes (K.R.S.) requires the Board to prepare and adopt a balanced budget annually. The Board must approve such operating budgets to allow sufficient time for the legal announcements and hearings required for the adoption. K.R.S. prohibits expenditures or liabilities in excess of the amounts budgeted.

**Note 2 – Budgetary Basis of Accounting**

The Board's budget is prepared on a basis consistent with generally accepted accounting principles.

**Independent Auditor's Report on Control over Financial Reporting and  
on Compliance and Other Matters on an Audit of Financial Statements  
Performed in Accordance with *Governmental Auditing Standards***

Independent Auditor's Report on Internal Control over Financial Reporting and  
On Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards*

Members of the Franklin County Extension Service District Board  
Frankfort, Kentucky 40601

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 of Franklin County Extension Service District Board, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Franklin County Extension Service District Board's basic financial statements, and have issued our report thereon dated June 15, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Franklin County Extension Service District Board'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 Franklin County Extension Service District Board's internal control. Accordingly, we do not express an opinion on the effectiveness of Franklin County Extension Service District Board'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Franklin County Extension Service District Board'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*.

## **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.

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

*Rick R. Waddle, Jr., CPA, PLLC*

Frankfort, Kentucky  
June 15, 2017