



Fayette County Public Schools

Presentation to the Audit Committee

November 9, 2020



Jeanna L. Jones

Engagement Partner

- Certified Public Accountant
- Over 25 years of experience
- Experience includes governments, not-for-profit organizations, manufacturing, distribution, transportation and healthcare industries
- Performs numerous Single Audits in accordance with federal Uniform Guidance
- Treasurer – Big Brothers Big Sisters of Kentuckiana
- Treasurer – Regional Cancer Care Corporation – support organization for the James Graham Brown Cancer Center
- Former Treasurer and Audit Committee Chair – Goodwill Industries of Kentucky



William G. Meyer III

Concurring Partner/Managing Partner

- Managing Partner of Strothman+Co
- Certified Public Accountant
- Over 30 years of experience
- Formerly at PricewaterhouseCoopers
- Certified in Financial Forensics (CFF)
- Past President - Kentucky Society of Certified Public Accountants
- Board Member and President – Cabbage Patch Settlement House

Elements of the Annual Financial Report



- Introductory Section
- Independent Auditors' Report
- Management's Discussion and Analysis
- District-Wide Financial Statements (accrual basis)
- Governmental Fund Financial Statements (modified cash basis)
- Proprietary Fund Financial Statements (accrual basis)

Elements of the Comprehensive Annual Financial Report



- Fiduciary Funds – School Activity Funds
- Notes to the Financial Statements
- Required Supplementary Information
- Combining Supplementary Information

Governmental Financial Reporting



- Governed by Governmental Accounting Standards Board (“GASB”) pronouncements
- All elements of FCPS’ Annual Financial Report are required by GASB standards

Governmental Auditing Standards



1. American Institute of Certified Public Accountants
2. Government Auditing Standards (“GAS”), issued by the Comptroller General of the United States
3. Requirements prescribed by the Kentucky State Committee for School District Audits

Auditors' Report



- Management is responsible for the preparation and fair presentation of the financial statements
- Our responsibility is to express opinions based on our audit
- Opinions - Unmodified

Audit Opinion



In our opinion, based on our audit, 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 District as of June 30, 2020, 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.

Management's Discussion and Analysis



- Required by GASB standards
- Comparison to prior year
- Has financial position improved or declined?
- Significant changes during the year
- Significant budget variances
- Capital asset and long term debt activity
- Other items expected to have significant financial impact

District Wide Financial Statements

- Accrual basis
- Closer to for profit accounting standards
- Key differences between fund accounting:
 - Capital assets
 - Debt
 - Net pension liability
 - Post employment benefits liability (OPEB)
 - Sick pay liability
 - Deferred inflows and outflows of Pensions and OPEB

District Wide Financial Statements



Key Numbers from Statement of Net Position

Total assets	\$ 793,000,000
Total liabilities	\$ 841,000,000
Net position - deficit	\$ (23,000,000)
Capital assets	
Gross	\$ 1,001,000,000
Accumulated depreciation	<u>(364,000,000)</u>
Net	<u>\$ 637,000,000</u>
School building revenue bonds	\$ 427,800,000
Net pension liability (CERS only)	\$ 176,400,000
Net postemployment benefit liability	\$ 162,100,000

District Wide Financial Statements



Key Numbers from Statement of Activities

Total revenues		\$ 631,000,000
Total expenses		654,000,000
Change in net position		\$ (23,000,000)

Fund Financial Statements



- Modified cash basis
- Historical basis of governmental accounting
- Governmental funds:
 - General
 - Grants and awards
 - Construction
 - Other nonmajor funds

Fund Financial Statements



Key Numbers – General Fund Balance Sheet

	Total assets		\$ 99,735,009
	Total liabilities		36,098,958
	Fund balances:		
	Assigned		1,646,566
	Unassigned		61,989,485
			\$ 63,636,051

Fund Financial Statements



**Key Numbers –
Statement of
Revenues,
Expenditures
and Changes in
Fund Balance –
General Fund**

Revenues:		
	Property taxes	\$ 217,468,667
	Occupational taxes	37,228,518
	Other taxes	34,236,701
	SEEK	93,359,486
	Other state	130,799,468
	All other	5,092,950
		518,185,790
Expenditures:		
	Instruction	322,185,319
	Student support	28,044,792
	Instruction staff support	23,091,205
	District administration	8,343,647
	School administrative support	29,108,916
	Business support	28,172,725
	Plant operation & maintenance support	45,161,398
	Transportation support	24,171,038
	All other	2,793,509
		511,072,549
	Other financing uses	(14,652,796)
	Net change in fund balance	\$ (7,539,555)

Fund Financial Statements



**Key Numbers –
Statement of
Revenues,
Expenditures and
Changes in Fund
Balance – Special
Revenue Fund**

Revenues:		
	Other state	13,066,966
	Grants	28,410,232
	All other	1,372,501
		42,849,699
Expenditures:		
	Instruction	29,667,727
	Student support	3,004,020
	Instruction staff support	2,390,033
	District administration	-
	School administrative support	178,595
	Business support	1,652,079
	Plant operation & maintenance support	374,359
	Transportation support	-
	All other	4,711,313
		41,978,126
	Other financing uses	(454,346)
	Net change in fund balance	\$ 417,227

Fund Financial Statements



**Key Numbers –
Statement of
Revenues,
Expenses and
Changes in Net
Position–
Proprietary Funds**

Revenues:		
Lunchroom Sales		2,653,858
Other operating revenues		2,800,002
	Total Operating Revenues	5,453,860
Operating Expenses:		
Salaries and fringe benefits		14,889,283
Materials and supplies		11,646,907
Depreciation		1,000,450
	Total Operating Expenses	27,536,640
	Operating Income (Loss)	(22,082,780)
Non-operating Revenues		
Federal grants		15,852,151
Donated commodities		1,711,489
State grants		209,401
On behalf revenues		1,329,670
Loss on sale of capital assets		3,968
	Total Non-operating Revenues	19,106,679
	Other Financing Sources (Uses)	(120,915)
	Change in Net Position	(3,097,016)

Notes to the Financial Statements



- A. Reporting entity
- B. Summary of Significant Accounting Policies
- C. Cash and Cash Equivalents
- D. Investments
- E. Receivables
- F. Interfund Receivables and Payables
- G. Capital Assets
- H. Capital Lease Obligations

Notes to the Financial Statements



- I. School Building Revenue Bonds
- J. Accrued Sick Leave
- K. Long-Term Liabilities
- L. On-Behalf Payments
- M. Contingencies
- N. Litigation
- O. Risk Management
- P. Retirement Plans
- Q. Deferred Compensation

Notes to the Financial Statements



- R. Post-Employment Health Care Benefits
- S. Commitments
- T. COBRA
- U. Leases
- V. Pension Plans
- W. Other Post-Employment Benefits (“OPEB”)
- X. Recent GASB Pronouncements
- Y. Subsequent Events

Other Reports to be Issued



- Single Audit of expenditures of federal funds
 - Approximately \$46,000,000 of federal grant expenditures during FY2020
- School activity fund report
 - High school (11)
 - Middle school (13)
 - Elementary school (39)
- Communication with Those Charged with Governance

Required Communications



- Significant Accounting Policies disclosed in Note B
- There were no uncorrected misstatements
- There were no difficulties in dealing with management or disagreements with management

Required Communications



Certain estimates are considered “sensitive” because of the significance to the financial statements and the possibility the actual results could differ from expected results. These include:

- Accrued sick leave
- Net Pension Liability
- Net OPEB Liability
- Workers’ compensation claims liability
- Depreciation expense and useful life of capital assets

Management Comments



- No significant deficiencies or material weaknesses noted
- No technology recommendations
- School activity fund – non compliance with REDBOOK (2 schools with no findings)
- No findings to be reported under Uniform Guidance for Title I (FY20 Major Program)

REDBOOK noncompliance



- Timeliness of Deposits
- Multiple Receipt Forms not being completed in their entirety
- Students not signing Multiple Receipt Forms
- Purchase requests not being completed in their entirety
- Purchase orders not being approval before payment is obligated
- Transfer forms missing signatures
- Ticket Sales forms with missing information
- Fundraiser forms not being completed

Timetable



- November 9 through December 2 – finalize audit procedures and testing of CARES Act Funding
- December 3 – present audit report to Board
- December 15 – all reports due in Frankfort

Questions?