

MADISON COUNTY SCHOOL DISTRICT

**BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND INDEPENDENT AUDITOR'S REPORTS**

Year Ended June 30, 2015

MADISON COUNTY SCHOOL DISTRICT

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MADISON COUNTY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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Madison County School District
Richmond, Kentucky

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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 Madison County School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the accompanying 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; 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*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 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 on 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 District as of June 30, 2015, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standards Board Statement 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, Statement 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* and Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 11, budgetary comparison information on pages 46 to 47, schedule of proportionate share of the net pension liability on page 48 and schedule of contributions on page 49 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 Madison County School District's basic financial statements. The combining financial statements, school schedules and schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements, school schedules 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 accounting standards generally accepted in the United States of America. In our opinion, the combining financial statements, school schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated September 21, 2015, on our consideration of Madison County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the 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 Madison County School District's internal control over financial reporting and compliance.



Certified Public Accountants
Elizabethtown, Kentucky
September 21, 2015

REQUIRED SUPPLEMENTARY INFORMATION

Madison County School District
Management's Discussion and Analysis (MD&A)
June 30, 2015

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

FINANCIAL HIGHLIGHTS

- The beginning cash balance for the District was \$23.75 million, including \$4.71 million in construction projects.
- The district constructs and renovates facilities with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations.
- Renovation projects were continued in fiscal 2015 for White Hall, Daniel Boone and Kit Carson Elementary Schools, which are 76-78% complete.
- In fiscal 2015, the Central Office and Madison Southern Pressbox construction projects were initiated and completed.
- Roofing projects were initiated in fiscal 2015 at Bellevue, Waco Elementary and Madison Kindergarten Academy and were 30% complete. The Area Technology Center roofing project was also initiated and 58% complete. No bonds were issued for these projects.
- At the close of fiscal 2015, bids were awarded for the Silver Creek Elementary and Foley Middle School renovation projects. Bonds were issued to fund a portion of the projects. The bonds have a par value of \$9,365,000.
- Bonds were issued for the White Hall, Daniel Boone and Kit Carson Elementary Schools renovations. The bonds have a par value of \$10,495,000.
- Refunding bonds were issued on bond series 2005, resulting in cost savings to the district. The par value of the new bonds is \$10,795,000.
- The General Fund had \$68.91 million in receipts, net of on-behalf payments from the state and interfund transfers. These receipts primarily consisted of the state program (SEEK), property, utility, and motor vehicle taxes. The beginning balance included \$0.68 million encumbered from fiscal 2014 and \$.88 million from prior years' commitments. Excluding interfund transfers and net of on-behalf payments, there were \$67.63 million in General Fund expenditures.
- The district's beginning balance included \$0.4 million from prior years' commitments for roofing, which remains available for future roofing projects. The district committed \$0.28 million of 2014-15 General Fund money for other capital projects.
- The FY14 commitment of \$1,229,661 for Kentucky School Boards Insurance Trust obligations was expensed in FY15. The remaining long-term liability at year end is \$850,898.
- General Fund dollars were required to supplement transportation expenses unfunded by the state.

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 are comprised of 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.

Government-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, deferred outflows, liabilities and deferred inflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

The government-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. Capital assets and related debt are also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found in the table of contents of this report.

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

The basic governmental fund financial statements can be found in the table of contents 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 in the table of contents of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of Madison County Schools, assets exceeded liabilities by \$72.81 million for Governmental Activities as of June 30, 2015. Liabilities exceeded assets by \$0.33 million for Business Type Activities.

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

The district's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets. Liabilities and deferred inflows in excess of assets and deferred outflows for the Business Type Activities is the result of GASB 68 in which the district is required to report net pension liability of \$2.22 million.

Table 1
Net Position
(in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>
Current and Other Assets	25.27	29.96	0.96	0.98	26.23	30.94
Capital Assets	<u>159.72</u>	<u>167.60</u>	<u>1.16</u>	<u>0.93</u>	<u>160.88</u>	<u>168.53</u>
Total Assets	<u>184.99</u>	<u>197.56</u>	<u>2.12</u>	<u>1.91</u>	<u>187.11</u>	<u>199.47</u>
Deferred Outflows	<u>0.92</u>	<u>2.91</u>	<u>-</u>	<u>0.28</u>	<u>0.92</u>	<u>3.19</u>
Long-term Debt	94.73	114.07	-	2.22	94.73	116.29
Other Liabilities	<u>8.40</u>	<u>10.68</u>	<u>0.02</u>	<u>0.02</u>	<u>8.42</u>	<u>10.70</u>
Total Liabilities	<u>103.13</u>	<u>124.75</u>	<u>0.02</u>	<u>2.24</u>	<u>103.15</u>	<u>126.99</u>
Deferred Inflows	<u>-</u>	<u>1.68</u>	<u>-</u>	<u>0.25</u>	<u>-</u>	<u>1.93</u>
Net Position						
Net Investment in Capital Assets	61.00	64.84	1.16	0.93	62.16	65.77
Restricted	7.74	10.86	-	-	7.74	10.86
Unrestricted	<u>14.04</u>	<u>(1.66)</u>	<u>0.94</u>	<u>(1.23)</u>	<u>14.98</u>	<u>(2.89)</u>
Total Net Position	<u>\$ 82.78</u>	<u>\$ 74.04</u>	<u>\$ 2.10</u>	<u>\$ (0.30)</u>	<u>\$ 84.88</u>	<u>\$ 73.74</u>

GOVERNMENTAL ACTIVITIES

For fiscal 2015, the district had a decrease in net position of \$8.74 million. This is due to the restatement for adoption of GASB 68, relative to pension liability.

Table 2
Statement of Activities

	Governmental Activities		Business-type Activities	
	2014	2015	2014	2015
Revenue				
Charges for services	\$ 31,713	\$ 39,991	\$ 1,503,569	\$ 1,487,619
Operating grants and contributions	27,470,480	34,768,812	3,749,625	4,152,154
Capital grants and contributions	4,373,551	4,772,399		
General revenues & extraordinary item	73,493,602	77,000,645	994	682
Total revenue	105,369,346	116,581,847	5,254,188	5,640,455
Expenses				
Instruction	60,974,077	68,731,459	-	-
Student support services	5,401,329	6,069,896	-	-
Instructional staff support	4,557,446	5,798,872	-	-
District administration	1,127,877	1,603,698	-	-
School administration	4,319,115	4,750,301	-	-
Business	1,346,976	1,520,860	-	-
Plant operation & maintenance	7,974,608	8,168,625	-	-
Student transportation	7,675,560	7,828,334	-	-
Non-instructional	843,143	1,165,861	-	-
Building improvement	-	-	-	-
Unallocated depreciation & amortization	-	-	-	-
Interest on long-term debt	4,221,581	4,173,861	-	-
Loss on disposal of general assets	-	-	-	-
Food service operations	-	-	5,584,028	5,739,226
Total expenses	98,441,712	109,811,767	5,584,028	5,739,226
Change in net position	6,927,634	6,770,080	(329,840)	(98,771)
Net position, beginning	76,997,164	82,779,686	2,426,920	2,097,080
Restatement for adoption of GASB 65	(1,145,112)		-	
Restatement for adoption of GASB 68		(15,505,642)		(2,296,358)
Net position, beginning as restated	75,852,052	67,274,044	2,426,920	(199,278)
Net position, ending	\$ 82,779,686	\$ 74,044,124	\$ 2,097,080	\$ (298,049)

BUSINESS-TYPE ACTIVITIES

Food service lunchroom sales increased from the prior year. Implementation of GASB 68 requiring business-type activities to record net pension liability of \$2,226,056 is the primary cause for the decrease in net position.

CAPITAL ASSETS

At the end of fiscal 2015, the District had \$168.53 million invested in capital assets, including land, buildings, buses, computers and other equipment. This amount represents a net increase (including additions and deductions) of \$7.65 million, or 4.76%, over last year. This increase is due primarily to the increase construction in progress.

Table 3
Capital Assets at Year-End
(Net of Depreciation, in Millions)

	Governmental Activities		Business-type Activities		Totals	
	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>
Land	\$ 4.21	\$ 4.14	\$ -	\$ -	\$ 4.21	\$ 4.14
Buildings & Improvements	147.05	145.90	-	-	147.05	145.90
Technology Equipment	0.98	0.55	0.01	0.01	0.99	0.56
Vehicles	3.98	4.23	-	-	3.98	4.23
General Equipment	1.80	1.57	1.15	0.92	2.95	2.49
Construction in Progress	1.70	11.21	-	-	1.70	11.21
Totals	<u>\$ 159.72</u>	<u>\$ 167.60</u>	<u>\$ 1.16</u>	<u>\$ 0.93</u>	<u>\$ 160.88</u>	<u>\$ 168.53</u>

DEBT

Bonds were issued for the White Hall, Daniel Boone and Kit Carson Elementary Schools renovations. The bonds have a par value of \$10,495,000.

Refunding bonds were issued on bond series 2005, resulting in cost savings to the district. The par value of the new bonds is \$10,795,000.

Table 4
 Outstanding Debt at Year-End
 (in Millions)

	Government Activities	
	2014	2015
General Obligation Bonds	\$ 99.70	\$ 104.63
Total Obligations	\$ 99.70	\$ 104.63

COMMENTS ON BUDGET COMPARISONS

- Actual General Fund revenues exceeded the budget by \$1.9 million or approximately 2 percent. This variance is seen in intergovernmental – state revenues and is due to the on-behalf payments from the state which exceeded the budget by \$1.9 million. Excluding on-behalf, the line item that varied most significantly was Motor Vehicle Tax, with a \$106,226 increase.

- Actual General Fund expenditures were \$6.6 million less than the final budget. As with revenues, a significant variance exists in the expenditure side of reporting state on-behalf payments which exceeded the budget by \$1.9 million. This was offset by various factors, including a contingency of \$6.3 million which was intended to remain unspent and carryover to the new year, as the beginning balance. Funds assigned for purchase obligations were approximately \$557,000. Additionally, funds were committed at year end for approximately \$680,000 for capital projects. Savings were generated in the area of instructional supplies, which consists largely of funds allocated to the schools. Site-based carryover belonging to the schools was approximately \$455,000. Additional savings were generated in the areas of plant operations and maintenance and student transportation. General Fund budgeted expenditures compared to actual varied significantly in District Administrative Support. Workers compensation, unemployment and dental reimbursements are budgeted in their entirety in District Administrative Support; however, expenditures are made from the same function as the related salaries. Also, the district accrued the full expense of the 7 year obligation resulting from the Kentucky School Board Insurance Trust settlement in the amount of \$1.2 million. Only the current year payment was budgeted in District Administrative Support.

The following table presents a summary of revenue and expenditures for the fiscal year ended June 30, 2015, for selected funds.

Table 5
Revenues & Expenditures
(in Millions)

	General Fund	Special Revenue	Construction	Other Governmental Funds
Revenues:				
Local Sources	\$ 27.48	\$ 0.07	\$ 0.01	\$ 8.07
State Sources	57.56	4.14	-	4.44
Federal Sources	0.54	6.60	-	0.33
Total Revenues	<u>85.58</u>	<u>10.81</u>	<u>0.01</u>	<u>12.84</u>
Expenses:				
Instruction	49.85	7.42	-	0.28
Student Support	5.63	0.44	-	-
Instructional Support	4.16	1.60	-	0.07
District Administration	1.43	-	-	0.11
School Administration	4.77	-	-	0.11
Business Support	1.52	0.02	-	-
Plant Operations	8.22	0.02	-	-
Student Transportation	7.60	0.57	-	-
Community Support	0.02	0.90	-	-
Facilities Acquisition & Construction	0.04	-	11.67	0.08
Debt Service	-	-	-	9.56
Total Expenses	<u>83.24</u>	<u>10.97</u>	<u>11.67</u>	<u>10.21</u>
Revenue Over (Under) Expenses	<u>\$ 2.34</u>	<u>\$ (0.16)</u>	<u>\$ (11.66)</u>	<u>\$ 2.63</u>

THE DISTRICT'S FUNDS

As the District completed the year, its General Fund reflected a fund balance of \$15.11 million, which is less than last year's fund balance of \$16.11 million. This decrease is due to the accrual of \$1.2 million previously committed for the district's obligation with the Kentucky School Boards Insurance Trust. It is important to note that a portion of the fiscal 2015 balance is reserved for prior year encumbrances (\$0.56 million), site-based councils (\$0.45 million) and sick leave payable (\$0.31 million) along with \$0.475 million that was committed in FY2011 for future salaries. In FY2008, we were able to reserve \$950,000 for the opening of B. Michael Caudill Middle School in FY2010. Those funds were not required for that purpose and remain reserved for future capital projects. In FY2009, FY2010, FY2011 and FY2012 we reserved \$958,519, \$950,000, \$975,000 and \$1,000,000 for future capital projects, which continue to be reserved. Additionally, funds are committed for roofing (\$0.8 million), playgrounds (\$0.15) and a gym floor (\$.13). Unassigned Fund Balance decreased slightly (\$0.03 million) to \$6.24 million.

FUTURE BUDGETARY IMPLICATIONS

In Kentucky, the public schools' fiscal year is July 1 – June 30; other programs, i.e. some federal programs, operate on a different fiscal calendar, but are reflected in the District's overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a tentative budget for 2015-2016 with a contingency of 8% of the General Fund budget, net of on-behalf payments from the state and interfund transfers. It is important to note that the tentative budget was based on a SEEK base of \$3,981 per pupil. In 2014-2015, we experienced the first increase in SEEK in several years with a base of \$3,911. This rate came after five years of a flat base and reductions due to budget shortfalls. The SEEK base was \$3,866 in both 2008-2009 and 2009-2010, increased \$2 to \$3,868 for 2010-2011 and increased \$35 to \$3,903 in 2011-2012. However, in fiscal years 2011 and 2012, we experienced mid-year cuts due to the state's inability to fund their SEEK obligation. The rate declined to \$3,833 in fiscal 2013 and \$3,827 in fiscal 2014.

Issues which will impact future budgets include:

- The inability of the state to restore SEEK funding to the necessary level
- Federal funding not maintaining the pace of mandated pay and fringe benefit increases
- Increased needs for the special education population and meeting 504 plan obligations
- Maintaining local funding for full-day kindergarten, which only receives .5 of the state base funding
- Insufficient funding of the state transportation formula
- The cumulative effect of the historic loss of local funding due to the 4% cap on increases in property tax revenue imposed by House Bill 44
- Property tax assessments in recent years increasing less than 4% combined with a public sentiment to forgo property tax rate increases
- Unknowns regarding funding of the state's pension systems
- Increased costs of risk management and the unknown costs associated with the Affordable Care Act

In order to meet the demands of a growing student population, we opened B. Michael Caudill Middle School in 2009-2010 and Farristown Middle School in 2011-2012. The transition to full-day kindergarten necessitated the closing of Mayfield Elementary at the end of fiscal 2014 and the opening of Madison Kindergarten Academy in fiscal 2015 to better utilize the facility's capacity. Also, the relocation of Richmond area preschool classrooms to Bellevue in fiscal 2015 provides much needed additional classroom space at area elementary schools. Continued growth will necessitate the use of Capital Outlay funds for their intended purpose with the imminent need for an additional elementary. As a result, we have an increasing need to use Capital Outlay funds for their intended purpose rather than to offset General Fund expenditures for plant operation and maintenance costs, as we did for several years.

CONTACTING THE MADISON COUNTY SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide residents, creditors, and other users with an overview of the Madison County School District's finances, fiscal practices and responsibility. If you have questions or need additional information, please contact the District's Finance Officer at PO Box 768, Richmond, KY 40476.

BASIC FINANCIAL STATEMENTS

MADISON COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2015

Assets	Governmental Activities	Business- Type Activities	Total
<u>Current Assets</u>			
Cash, cash equivalents and investments	\$ 27,667,252	\$ 845,086	\$ 28,512,338
Inventory		87,221	87,221
Receivables:			
Accounts		10,188	10,188
Taxes-current	1,010,254		1,010,254
Taxes-delinquent	114,133		114,133
Other receivables	32,875		32,875
Intergovernmental-State	92,758		92,758
Intergovernmental-Indirect Federal	1,043,249	35,446	1,078,695
Total Current Assets	29,960,521	977,941	30,938,462
<u>Noncurrent Assets</u>			
Non-depreciable capital assets	15,047,106		15,047,106
Depreciable capital assets, net of accumulated depreciation	152,551,495	931,309	153,482,804
Total Noncurrent Assets	167,598,601	931,309	168,529,910
Total Assets	197,559,122	1,909,250	199,468,372
Deferred Outflows of Resources			
Deferred amount on debt refundings	994,418		994,418
CERS pension contributions	1,919,078	284,212	2,203,290
Total Deferred Outflows of Resources	2,913,496	284,212	3,197,708
Liabilities			
<u>Current Liabilities</u>			
Accounts payable	2,483,871	17,012	2,500,883
Accrued payroll and related expenses	101		101
Unearned revenue	322,012		322,012
Retainage	462,719		462,719
Bond obligations	6,200,000		6,200,000
KSBIT	236,946		236,946
Compensated absences	250,000		250,000
Interest payable	720,235		720,235
Total Current Liabilities	10,675,884	17,012	10,692,896
<u>Noncurrent Liabilities</u>			
Bond obligations	97,551,382		97,551,382
KSBIT	613,952		613,952
Net pension liability - CERS	15,030,944	2,226,056	17,257,000
Compensated absences	878,775		878,775
Total Noncurrent Liabilities	114,075,053	2,226,056	116,301,109
Total Liabilities	124,750,937	2,243,068	126,994,005
Deferred Inflows of Resources			
CERS net investment difference	1,677,557	248,443	1,926,000
Total Deferred Inflows of Resources	1,677,557	248,443	1,926,000
<u>Net Position</u>			
Net investment in capital assets	64,841,637	931,309	65,772,946
Restricted	10,860,456		10,860,456
Unrestricted	(1,657,969)	(1,229,358)	(2,887,327)
Total Net Position	\$ 74,044,124	\$ (298,049)	\$ 73,746,075

The notes to the financial statements are an integral part of this statement.

MADISON COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			
	Expenses	Charges For Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS							
Governmental Activities:							
Instruction	\$ 68,731,459	\$ 39,991	\$ 24,106,279	\$ -	\$ (44,585,189)	\$ -	\$ (44,585,189)
Support services:							
Student	6,069,896		2,182,784		(3,887,112)		(3,887,112)
Instruction staff	5,798,872		2,595,906		(3,202,966)		(3,202,966)
District administrative	1,603,698		121,262		(1,482,436)		(1,482,436)
School administrative	4,750,301		1,462,930		(3,287,371)		(3,287,371)
Business	1,520,860		390,638		(1,130,222)		(1,130,222)
Plant operation and maintenance	8,168,625		1,079,779		(7,088,846)		(7,088,846)
Student transportation	7,828,334		1,932,313		(5,896,021)		(5,896,021)
Community service activities	908,798		896,921		(11,877)		(11,877)
Facility acquisition and construction				3,908,725	3,908,725		3,908,725
Other	257,063				(257,063)		(257,063)
Interest on long-term debt	4,173,861			863,674	(3,310,187)		(3,310,187)
Total Governmental Activities	109,811,767	39,991	34,768,812	4,772,399	(70,230,565)	-	(70,230,565)
Business-Type Activities:							
Food service	5,739,226	1,487,619	4,152,154			(99,453)	(99,453)
Total Business-Type Activities	5,739,226	1,487,619	4,152,154	-	-	(99,453)	(99,453)
Total Primary Government	\$ 115,550,993	\$ 1,527,610	\$ 38,920,966	\$ 4,772,399	(70,230,565)	(99,453)	(70,330,018)
			General Revenues:				
			Taxes:				
			Property taxes		26,805,656		26,805,656
			Motor vehicle taxes		2,706,226		2,706,226
			Utility taxes		5,134,095		5,134,095
			Revenue in lieu of taxes		162,696		162,696
			Investment earnings		73,212	682	73,894
			State and formula grants		40,721,232		40,721,232
			Miscellaneous		167,867		167,867
			<i>Extraordinary item - KSBIT</i>		1,229,661		1,229,661
			Total general revenues and extraordinary item		77,000,645	682	77,001,327
			Change in net position		6,770,080	(98,771)	6,671,309
			Net position - beginning, as previously reported		82,779,686	2,097,080	84,876,766
			Restatement for adoption of GASB 68		(15,505,642)	(2,296,358)	(17,802,000)
			Net position - beginning, as restated		67,274,044	(199,278)	67,074,766
			Net position - ending		\$ 74,044,124	\$ (298,049)	\$ 73,746,075

The notes to the financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

MADISON COUNTY SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2015

	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash, cash equivalents and investments	\$ 15,638,639	\$ 323,080	\$ 11,342,173	\$ 363,360	\$ 27,667,252
Receivables:					
Taxes - current	1,010,254				1,010,254
Taxes - delinquent	114,133				114,133
Other receivables	11,006	6,899		14,970	32,875
Intergovernmental - State		92,758			92,758
Intergovernmental - Indirect Federal		1,043,249			1,043,249
Total Assets	<u>\$ 16,774,032</u>	<u>\$ 1,465,986</u>	<u>\$ 11,342,173</u>	<u>\$ 378,330</u>	<u>\$ 29,960,521</u>
Liabilities and Fund Balances:					
Liabilities					
Accounts payable	\$ 809,388	\$ 347,615	\$ 1,290,316	\$ 36,552	\$ 2,483,871
Accrued payroll and related expenses	101				101
KSBIT	850,898				850,898
Unearned revenue		322,012			322,012
Total Liabilities	1,660,387	669,627	1,290,316	36,552	3,656,882
Fund Balances					
Restricted		796,359	10,051,857	7,786	10,856,002
Committed	8,311,791			333,992	8,645,783
Assigned	557,151				557,151
Unassigned	6,244,703				6,244,703
Total Fund Balances	<u>15,113,645</u>	<u>796,359</u>	<u>10,051,857</u>	<u>341,778</u>	<u>26,303,639</u>
Total Liabilities and Fund Balances	<u>\$ 16,774,032</u>	<u>\$ 1,465,986</u>	<u>\$ 11,342,173</u>	<u>\$ 378,330</u>	<u>\$ 29,960,521</u>

The notes to the financial statements are an integral part of this statement.

MADISON COUNTY SCHOOL DISTRICT

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION**

June 30, 2015

Total fund balance per fund financial statements	\$ 26,303,639
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.	167,598,601
Governmental funds do not record deferred outflows of resources for pension contributions after the measurement date but those are reported on the statement of net position as deferred outflows of resources.	1,919,078
Governmental funds record debt refundings as other financing uses when the issues are refunded. Unamortized losses on refundings are reported on the statement of net position as deferred outflows of resources.	994,418
Governmental funds do not record deferred inflows of resources for changes in the net investment difference but those are reported on the statement of net position as deferred inflows of resources.	(1,677,557)
Certain liabilities are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position:	
Bonds payable (net of discounts/premiums)	(103,751,382)
Interest payable	(720,235)
Compensated absences	(1,128,775)
Net pension liability - CERS	(15,030,944)
Retainage	(462,719)
Net position for governmental activities	<u>\$ 74,044,124</u>

The notes to the financial statements are an integral part of this statement.

MADISON COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

Year Ended June 30, 2015

	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
From local sources:					
Taxes:					
Property	\$ 19,402,121	\$ -	\$ -	\$ 7,403,535	\$ 26,805,656
Motor vehicle	2,706,226				2,706,226
Utilities	5,134,095				5,134,095
Earnings on investments	22,472	559	9,607	40,575	73,213
Other local revenues	56,082	73,080		629,555	758,717
Revenue in lieu of taxes	162,696				162,696
Intergovernmental - State	57,557,727	4,137,167		4,440,742	66,135,636
Intergovernmental - Indirect Federal	426,123	6,604,370			7,030,493
Intergovernmental - Direct Federal	115,766			331,657	447,423
Total Revenues	85,583,308	10,815,176	9,607	12,846,064	109,254,155
Expenditures:					
Instruction	49,846,231	7,423,754		284,414	57,554,399
Support services:					
Student	5,632,800	443,519			6,076,319
Instruction staff	4,159,995	1,597,329		69,780	5,827,104
District administrative	1,430,992			107,260	1,538,252
School administrative	4,767,823			110,394	4,878,217
Business	1,521,643	20,000			1,541,643
Plant operation and maintenance	8,224,294	23,375			8,247,669
Student transportation	7,600,589	569,397			8,169,986
Community service activities	20,084	896,921			917,005
Facilities acquisition and construction	35,547		11,615,966		11,651,513
Bond issuance costs			68,000	81,640	149,640
Debt service:					
Principal				5,670,000	5,670,000
Interest				3,893,715	3,893,715
Total Expenditures	83,239,998	10,974,295	11,683,966	10,217,203	116,115,462
Excess (Deficit) of Revenues over Expenditures	2,343,310	(159,119)	(11,674,359)	2,628,861	(6,861,307)
Other Financing Sources (Uses):					
Proceeds from sale of capital assets	6,122				6,122
Insurance proceeds	157,663				157,663
Bond proceeds from revenue bonds			10,495,000		10,495,000
Bond proceeds from refunding bonds				10,795,000	10,795,000
Bond premium				184,908	184,908
Bond discount			(195,910)		(195,910)
Payments to refunded escrow agent				(10,893,337)	(10,893,337)
Transfers in	49,428	246,213	6,802,837	8,664,589	15,763,067
Transfers out	(2,315,050)	(169,428)		(13,278,589)	(15,763,067)
Total Other Financing Sources (Uses)	(2,101,837)	76,785	17,101,927	(4,527,429)	10,549,446
Extraordinary item - KSBIT	(1,229,661)				(1,229,661)
Net Change in Fund Balances	(988,188)	(82,334)	5,427,568	(1,898,568)	2,458,478
Fund Balance, July 1, 2014	16,101,833	878,693	4,624,289	2,240,346	23,845,161
Fund Balance, June 30, 2015	\$ 15,113,645	\$ 796,359	\$ 10,051,857	\$ 341,778	\$ 26,303,639

The notes to the financial statements are an integral part of this statement.

MADISON COUNTY SCHOOL DISTRICT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

Year Ended June 30, 2015

Net change in total fund balances per fund financial statements	\$ 2,458,478
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.	7,908,583
The proceeds for the issuance of bonds provide current financial resources and are reported in this fund financial statement but they are presented as liabilities in the statement of net position.	(10,385,661)
Bond payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.	5,670,000
The difference between actuarial pension contributions to CERS and actual contributions made are recorded as adjustments in the statement of activities.	716,219
In the statement of activities, only the gain (loss) on sale of fixed assets is reported, whereas in the governmental funds, the proceeds for the sale increased financial resources.	(20,015)
Estimated claims that are not mature are not reported in this fund financial statement, but those that are probable and reasonably estimable This item is recorded as extraordinary item in the statement of activities as it is unusual in nature and infrequent in occurrence.	1,229,661
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.	<u>(807,185)</u>
Change in net position of governmental activities	<u>\$ 6,770,080</u>

The notes to the financial statements are an integral part of this statement.

MADISON COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2015

	<u>Food Service Fund</u>
Assets	
<u>Current Assets</u>	
Cash, cash equivalents and investments	\$ 845,086
Accounts receivable	10,188
Intergovernmental - Indirect Federal	35,446
Inventory	<u>87,221</u>
Total Current Assets	977,941
<u>Noncurrent Assets</u>	
Depreciable capital assets, net of accumulated depreciation	<u>931,309</u>
Total Noncurrent Assets	<u>931,309</u>
Total Assets	<u>1,909,250</u>
Deferred Outflows of Resources	
CERS pension contributions	<u>284,212</u>
Total Deferred Outflows of Resources	<u>284,212</u>
Liabilities	
<u>Current Liabilities</u>	
Accounts payable	<u>17,012</u>
Total Current Liabilities	<u>17,012</u>
<u>Noncurrent Liabilities</u>	
Net pension liability - CERS	<u>2,226,056</u>
Total Noncurrent Liabilities	<u>2,226,056</u>
Total Liabilities	<u>2,243,068</u>
Deferred Inflows of Resources	
CERS net investment difference	<u>248,443</u>
Total Deferred Inflows of Resources	<u>248,443</u>
<u>Net Position</u>	
Net investment in capital assets	931,309
Unrestricted	<u>(1,229,358)</u>
Total Net Position	<u>\$ (298,049)</u>

The notes to the financial statements are an integral part of this statement.

MADISON COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

Year Ended June 30, 2015

	Food Service Fund
Operating Revenues:	
Lunchroom sales	\$ 1,487,619
Total Operating Revenues	1,487,619
Operating Expenses:	
Salaries and wages	2,302,307
Materials and supplies	3,034,969
Depreciation	227,110
Other operating expenses	174,840
Total Operating Expenses	5,739,226
Operating loss	(4,251,607)
Non-Operating Revenues (Expenses):	
Federal grants	3,471,059
Donated commodities	296,735
State on-behalf payments	335,512
State grants	48,848
Interest income	682
Total Non-Operating Revenues (Expenses)	4,152,836
Changes in net position	(98,771)
Net Position, July 1, 2014, as previously reported	2,097,080
Restatement for adoption of GASB 68	(2,296,358)
Net Position, July 1, 2014, as restated	(199,278)
Net Position June 30, 2015	<u>\$ (298,049)</u>

The notes to the financial statements are an integral part of this statement.

MADISON COUNTY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year Ended June 30, 2015

	<u>Food Service Fund</u>
Cash Flows from Operating Activities	
Cash received from:	
Lunchroom sales	\$ 1,508,662
Cash paid to/for:	
Employees	2,072,866
Supplies	2,703,104
Other activities	174,840
	<u> </u>
Net Cash Used by Operating Activities	(3,442,148)
Cash flows from Non-Capital Financing Activities	
Federal grants	3,460,806
State grants	48,848
	<u> </u>
Net Cash Provided by Non-Capital Financing Activities	3,509,654
Receipt of interest income	682
	<u> </u>
Net Cash Provided by Investing Financing Activities	682
Net increase in cash and cash equivalents	68,188
Balances, beginning of year	<u>776,898</u>
Balances, end of year	<u><u>\$ 845,086</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (4,251,607)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	227,110
State on-behalf payments	335,512
Donated commodities	296,735
GASB 68 pension expense	(106,071)
Change in assets and liabilities:	
Accounts receivable	21,043
Inventory	39,705
Accounts payable	(4,575)
	<u> </u>
Net cash used by operating activities	<u><u>\$ (3,442,148)</u></u>
Schedule of non-cash transactions:	
Donated commodities received from federal government	<u>\$ 296,735</u>
State on-behalf payments	<u>\$ 296,735</u>
CERS Pensions	<u>\$ 178,141</u>

The notes to the financial statements are an integral part of this statement.

MADISON COUNTY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 June 30, 2015

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	\$ 711,055
Receivables	<u>11,525</u>
Total Assets	<u><u>\$ 722,580</u></u>
Liabilities	
Accounts payable	\$ 27,081
Due to student groups	<u>695,499</u>
Total Liabilities	<u><u>\$ 722,580</u></u>

The notes to the financial statements are an integral part of this statement.

NOTES TO THE BASIC FINANCIAL STATEMENTS

MADISON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Madison County School District (the "District") have been prepared to conform with Accounting Principles Generally Accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. REPORTING ENTITY

The Madison County Board of Education ("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 Madison County School District. 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.

For financial reporting purposes, the accompanying financial statements include all of the operations over which the District is financially accountable. The District is financially accountable for organizations that make up its legal entity, as well as legally separate organizations that meet certain criteria. In accordance with GASB 14, "The Financial Reporting Entity," as amended by GASB 39, "Determining Whether Certain Organizations Are Component Units", the criteria for inclusion in the reporting entity involve those cases where the District or its officials appoint a voting majority of an organization's governing body, and is either able to impose its will on the organization or there is a potential for the organization to provide specific financial benefits to or to impose specific financial burdens on the District or the nature and significance of the relationship between the District and the organization is such that exclusion would cause the District's financial statements to be incomplete. Applying this definition, District management has determined that the component unit reportable within the accompanying financial statements is the Madison County School District Finance Corporation, (the "Corporation"). 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 Board itself such as Boosters, Parent-Teacher Associations, etc.

Blended Component Unit - Madison County School District Finance Corporation – In a prior year, the Board of Education resolved to authorize the establishment of the Madison 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) (the "Corporation") as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors. Therefore, the financial activities of the Corporation have been blended (reported as if it were part of the District) with those of the District. The Corporation does not publish individual component unit financial statements.

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

Government-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.

MADISON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of net position presents the financial condition of the governmental and business-type activities of the District at year-end. The government-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 enterprise 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 Governmental Funds are accounted for on the "flow of current financial resources" measurement focus. This measurement focus is based on the concept of accountability, which includes measuring interperiod equity whether current year revenues were sufficient to pay for current year services. The Proprietary Funds are accounted for on an "economic resources" measurement focus. Accordingly, the Statement of Revenues, Expenses and Changes in Fund Net Position for the Proprietary Funds reports increases and decreases in total economic net worth. The private purpose trust fund is reported using the economic resources measurement focus.

Governmental Funds

Governmental Funds are those through which most District functions are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in the Proprietary Funds and Fiduciary Funds) are accounted for through Governmental Funds. The measurement focus is upon determination of changes in financial resources rather than upon determination of net income. The following are the District's Governmental Funds:

- (A) The General Fund is the main operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.

MADISON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

- (B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the 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. This is a major fund of the District.
- (C) The District Activity Fund is a Special Revenue Fund type and is used to account for funds received at the school level.
- (D) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).
 - 1. 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.
 - 2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
 - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.
- (E) The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal and interest and related costs; and for the payment of interest on notes payable, as required by Kentucky Law.

Proprietary Funds

Proprietary Funds are used to account for ongoing organizations and activities, which are operated and financed in a manner similar to those found in the private sector. The measurement focus is upon the determination of net income. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. Operating expenses include salaries, benefits, supplies and other items. All items not meeting this definition are reported as nonoperating revenues and expenses. The District has one Proprietary Fund.

The Food Service Fund is used to account for school food service activities, including the National School Lunch and Breakfast Programs, which are conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA and for on-behalf payments for retirement and health insurance paid by the State of Kentucky. This is a major fund of the District.

MADISON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the District on behalf of outside related organizations or on behalf of other funds within the District.

The Agency Fund accounts 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. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

BASIS OF ACCOUNTING

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

Modified Accrual

Under the modified accrual basis, revenues are recognized in the accounting period in which they become susceptible to accrual, i.e., both available and measurable. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Significant revenues susceptible to accrual include ad valorem taxes, reimbursable-type grants and interest on investments. The District considers all revenues (with the exception of the expenditure-driven grants) as available if they are collected within sixty (60) days after year-end. The expenditure driven grants are considered available if received within one year from the balance sheet date. Property tax revenue is recognized when taxes are received, except at year end when revenue is recognized for taxes received by the District within sixty (60) days subsequent to fiscal year end. Expenditures are recognized in the accounting period in which the liability is incurred. However, exceptions include the amount of unmatured principal and interest on general long-term debt, compensated absences, claims and judgments and certain prepaids which are recognized when due/paid.

In applying the susceptible to accrual concept to revenues from Federal and State sources, the legal contractual requirements of the numerous individual programs are used as guidance. Revenue from grants and entitlements is recognized when all eligibility requirements have been satisfied. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before the District will receive any amounts; therefore, revenues are recognized based upon the occurrence of expenditures. In the other type, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed legal and contractual requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met. In all cases, monies received before the revenue recognition criteria have been met are reported as unearned revenue.

Accrual

Under the accrual basis of accounting, revenues are recognized in the period earned and expenses are recognized in the period incurred.

MADISON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Revenue Recognition

State Revenue Sources - Revenues from State sources for current operations are primarily from the Support Education Excellence in Kentucky ("SEEK"), administered by the Kentucky Department of Education ("KDE"). The District files reports on average daily attendance ("ADA") student membership with the KDE. The KDE accumulates information from these reports and calculates the allocation of SEEK funds to the District. After review and verification of ADA reports and supporting documentation, the KDE may adjust subsequent fiscal period allocations of SEEK funding. Normally, such adjustments are treated as reductions of revenue in the year the reduction is made, as amounts are not significant.

Property Taxes - On an accrual basis, property tax revenue anticipated to be collected is recognized in the fiscal year for which it is levied. Delinquent taxes collected in subsequent periods are recognized as revenue during the fiscal year in which they are received.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

C. BUDGETARY POLICIES

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. All budget appropriations lapse at year-end.

D. ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve a portion of an applicable appropriation, is utilized for budgetary control purposes. Encumbrances are not the equivalent of expenditures, and accordingly, amounts assigned for encumbrances at the governmental fund level indicate that portion of the fund balance segregated for expenditure upon vendor performance.

E. CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, cash equivalents are considered to be demand deposits, money market funds, and other investments with an original maturity of 90 days or less.

MADISON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

F. INVENTORIES

Inventories are valued at cost, which approximates market. The food service fund uses the specific identification method and the general fund uses the first-in, first-out method. The District's inventories include various items consisting of school supplies, paper, books, maintenance items, transportation items, commodities, etc. USDA commodities received from the Federal government are recorded at the value established by the Federal government using the average cost method.

G. PREPAID ITEMS

Expenditures for insurance and similar services extending over more than one accounting period are allocated between or among accounting periods in the governmental funds.

H. 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 greater than \$5,000 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 assets' life are not. All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	25-50 years
Technology equipment	5 years
Vehicles	5-10 years
General equipment	5-15 years
Food service equipment	5-12 years

I. LONG-TERM DEBT

In the fund-level financial statements, governmental funds report the face amount of debt issued, as well as any premiums (discounts) as other financing sources (uses). Debt issuance costs are reported as debt service expenditures. In the government-wide financial statements, long-term debt is reported as liabilities in the statement of net position. Bond premiums/discounts are amortized over the life of the bonds while deferred loss on advance refundings are amortized over the shorter of the remaining life of the refunded bonds or the life of the new bonds both in a systematic and rational method, which approximates the effective-interest method.

MADISON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

J. COMPENSATED ABSENCES

Compensated absences are payments to employees for accumulated sick leave. These amounts also include the related employer's share of applicable taxes and retirement contributions. District employees may accumulate unused sick leave up to a specified amount depending on their date of hire. Sick leave is payable to employees upon termination or retirement at 30% of the current rate of pay on the date of termination or retirement. The District uses the termination method to calculate the compensated absences amounts. The entire compensated absence liability is reported on the government-wide financial statements. The current portion is the amount estimated to be used in the following year. An expenditure is recognized in the governmental fund as payments come due each period, for example, as a result of employee resignations and retirements. Compensated absences not recorded at the fund level represent a reconciling item between the fund level and government-wide presentations.

K. ACCOUNTING ESTIMATES

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

L. IMPACT OF RECENTLY ISSUED ACCOUNTING PRINCIPLES

Recently Issued And Adopted Accounting Principles

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27*. GASB 68, as amended by GASB 71 addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

The Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, the Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This statement was adopted during the fiscal year ended June 30, 2015 and required a restatement to net position for governmental activities and the food service fund.

MADISON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

In March 2014, the GASB issued Statement 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. GASB 70 requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This statement was adopted during the fiscal year ended June 30, 2015 and did not have an impact on the District's financial statements.

Recently Issued Accounting Pronouncements

In January 2014, the GASB issued Statement 69, *Government Combinations and Disposals of Government Operations*. GASB 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This statement is effective for periods beginning after December 15, 2014. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In February 2015, the GASB issued Statement 72, *Fair Value Measurement and Application*. GASB 69 establishes accounting and financial reporting standards related to fair value measurements. This statement is effective for periods beginning after June 15, 2015. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In June 2015, the GASB issued Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement is effective for periods beginning after June 15, 2016. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In June 2015, the GASB issued Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement is effective for periods beginning after June 15, 2016. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In June 2015, the GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement is effective for periods beginning after June 15, 2017. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

MADISON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE 2 – PROPERTY TAXES

Property Tax Revenues – Property taxes are normally levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund. The usual collection date is the period from November 1 through December 31. Property tax bills paid prior to December 1 receive a two percent discount. Property taxes received after December 31, are considered to be delinquent and the County Attorney can file a lien against the property.

The property tax rates assessed for the year ended June 30, 2015, to finance operations were \$.601 per \$100 valuation for real property, \$.601 per \$100 valuation for business personal property and \$.558 per \$100 valuation for motor vehicles.

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

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy is to have all deposits secured by pledged securities. At June 30, 2015, \$1,132,022 of the District's bank balance of \$7,822,722 was exposed to custodial credit risk. The bank balance not covered by depository insurance was collateralized by securities held by the pledging financial institution.

Investments

As of June 30, 2015, the District had the following investments and maturities:

	Fair Value	Average Credit Quality/Ratings (1)	Less Than 1
Money Market Mutual Funds	\$23,767,489	AAA	\$23,767,489

(1) Ratings are provided where applicable to indicate associated *Credit Risk*. N/A indicates not applicable. Ratings are from Standard & Poor's.

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the District's investing activities are under the custody of the District Finance Director. Investing policies comply with State Statutes. Kentucky Revised Statute 66.480 defines the following items as permissible investments:

MADISON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE 3 – DEPOSITS AND INVESTMENTS – CONTINUED

- Obligations of the United States and of its agencies and instrumentalities;
- Obligations of any corporation of the United States Government;
- Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency;
- Uncollateralized certificates of deposit issued by any bank or savings and loan institution rated in one (1) of the three (3) highest categories by a nationally recognized rating agency;. Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations, including surety bonds, permitted by KRS 41.240(4)
- Bankers' acceptances for banks rated in one (1) of the three (3) highest categories by a nationally recognized rating agency;
- Commercial paper rated in the highest category by a nationally recognized rating agency;
- Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities;
- Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States, and rated in one (1) of the three (3) highest categories by a nationally recognized rating agency; and
- Shares of mutual funds, each of which shall have the following characteristics: 1. The mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended; 2. The management company of the investment company shall have been in operation for at least five (5) years; and 3. All of the securities in the mutual fund shall be eligible investments pursuant to this section.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The district does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. **Custodial Credit Risk** is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

NOTE 4 – INTERFUND ACTIVITIES

The following transfers were made during the year:

From Fund	To Fund	Purpose	Amount
General	Special Revenue	Technology Match	\$ 246,213
General	Construction	Construction	2,068,837
Special Revenue	General	Construction	44,881
Special Revenue	General	Indirect Costs	4,547
Special Revenue	Construction	Construction	120,000
Nonmajor Governmental	Construction	Construction	4,614,000
Nonmajor Governmental	Nonmajor Governmental	Debt Service	8,664,589

MADISON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

Governmental Activities	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Capital Assets Not Being Depreciated:				
Land	\$ 3,841,887	\$ -	\$ -	\$ 3,841,887
Construction in progress	1,700,054	11,903,261	(2,398,096)	11,205,219
Total Capital Assets Not Being Depreciated	5,541,941	11,903,261	(2,398,096)	15,047,106
Capital Assets Being Depreciated:				
Land improvements	3,857,751			3,857,751
Buildings and improvements	191,948,562	2,398,096		194,346,658
Technology equipment	6,773,471	49,297	(401,951)	6,420,817
Vehicles	14,938,045	988,498	(397,806)	15,528,737
General equipment	4,371,235	81,055	(143,533)	4,308,757
Total Capital Assets Being Depreciated at Historical Cost	221,889,064	3,516,946	(943,290)	224,462,720
Less Accumulated Depreciation For:				
Land improvements	3,493,464	66,388		3,559,852
Buildings and improvements	44,897,613	3,553,859		48,451,472
Technology equipment	5,787,129	480,313	(400,046)	5,867,396
Vehicles	10,961,084	733,054	(397,806)	11,296,332
General equipment	2,575,560	279,914	(119,301)	2,736,173
Total accumulated depreciation	67,714,850	5,113,528	(917,153)	71,911,225
Total Other Capital Assets, net	154,174,214	(1,596,582)	(26,137)	152,551,495
Governmental Activities Capital Assets - Net	\$ 159,716,155	\$ 10,306,679	\$ (2,424,233)	\$ 167,598,601
Business-Type Activities				
Capital Assets Being Depreciated:				
Technology equipment	\$ 34,413	\$ -	\$ (668)	\$ 33,745
Food service equipment	3,422,093			3,422,093
Totals at historical cost	3,456,506	-	(668)	3,455,838
Less Accumulated Depreciation For:				
Technology equipment	\$ 29,905	\$ 2,213	\$ (668)	\$ 31,450
Food service equipment	2,268,182	224,897		2,493,079
Total accumulated depreciation	2,298,087	227,110	(668)	2,524,529
Business-Type Activities Capital Assets - Net	\$ 1,158,419	\$ (227,110)	\$ -	\$ 931,309

Depreciation was charged to governmental functions as follows:

Instruction	\$ 4,225,973
Student support	20,571
Instructional staff	9,826
District administration	11,901
School administration	35,996
Business support	637
Plant	75,940
Transportation	732,684
	<u>\$ 5,113,528</u>

MADISON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE 6 – 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 commercial insurance.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, 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.

NOTE 7 – LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2015, is as follows:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Amounts Due Within One Year
Governmental Activities:					
Bonds and Leases Payable:					
Revenue bonds	\$ 99,695,000	\$ 21,290,000	\$ 16,355,000	\$ 104,630,000	\$ 6,200,000
Less Discounts and Premiums	(975,520)	(11,002)	107,904	(878,618)	
Total Bonds and Leases Payable	98,719,480	21,278,998	16,462,904	103,751,382	6,200,000
Other Liabilities:					
KSBIT	1,229,661		378,763	850,898	236,946
Net pension liability - CERS	-	15,030,944		15,030,944	
Compensated absences	1,070,579	274,849	216,653	1,128,775	250,000
Total Other Liabilities	2,300,240	15,305,793	595,416	17,010,617	486,946
Total Governmental Activities Long-Term Liabilities	<u>\$101,019,720</u>	<u>\$ 36,584,791</u>	<u>\$ 17,058,320</u>	<u>\$ 120,761,999</u>	<u>\$ 6,686,946</u>
	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Amounts Due Within One Year
Business Type Activities:					
Net pension liability - CERS	<u>\$ -</u>	<u>\$ 2,226,056</u>	<u>\$ -</u>	<u>\$ 2,226,056</u>	<u>\$ -</u>

The debt service fund is primarily responsible for paying the bond obligations through funding from the capital outlay and FSPK funds. The general fund is primarily responsible for paying compensated absences and KSBIT. The general fund and food service fund are primarily responsible for paying the net pension liability.

MADISON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE 7 – LONG-TERM LIABILITIES – CONTINUED

Bond Liabilities

The original amount of each issue, the issue date, and interest rates are summarized below:

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rate</u>	<u>Issue Date</u>	<u>Proceeds</u>	<u>Rate</u>
2004B	\$ 3,235,000	2.20% - 3.70%	2010	22,800,000	0.70% - 5.60%
2006	5,880,000	4.00% - 4.25%	2010R	10,295,000	0.40% - 2.50%
2006B	2,350,000	3.88%	2011	4,040,000	1.00% - 4.375%
2008	22,820,000	3.25% - 4.375%	2013R	13,500,000	2.00% - 2.375%
2008B	7,585,000	3.00% - 4.625%	2014	10,495,000	2.00% - 3.625%
2009	9,995,000	4.35% - 4.60%	2014R	10,795,000	2.00% - 3.00%
2009R	2,475,000	1.00% - 3.00%			

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 by the Madison County School District Finance Corporation 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 has “participation agreements” with the Kentucky School Facilities 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.

On August 1, 2014, the District issued \$10,495,000 in 2014 Series Revenue Bonds with an average interest rate of 3.41 percent. The net proceeds of \$10,231,090 (after \$68,000 in cost of issuance and \$195,910 of discount) were deposited in the Construction Fund.

On August 1, 2014, the District issued \$10,795,000 in Refunding Revenue Bonds with an average interest rate of 2.47 percent to advance refund \$10,685,000 of outstanding 2006 Series Bonds. The refunding was a partial advance refunding. The net proceeds of \$10,893,337 (after \$81,640 in cost of issuance, \$184,908 in bond premium and \$4,931 in excess cash which was deposited in the bond payment fund) were used to purchase U.S. Government securities. These securities were deposited in an irrevocable trust to call the bonds.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$208,337. This difference, reported in the accompanying government-wide financial statements as a deduction from bonds payable, is being charged to operations through the year 2025 using the straight-line method.

The District completed the refunding to reduce its total debt service payments over the next 12 years by \$815,613 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$726,995. The 2006 bonds were called on February 1, 2015.

MADISON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE 7 – LONG-TERM LIABILITIES – CONTINUED

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, 2015, for debt service (principal and interest) are as follows:

Year	Principal	Interest	KSFCC Participation	U.S. Treasury Participation	District's Portion
2016	\$ 6,200,000	\$ 3,814,090	\$ 810,600	\$ 352,287	\$ 9,203,490
2017	6,320,000	3,649,267	776,779	246,107	9,192,488
2018	6,440,000	3,478,429	733,273	338,748	9,185,156
2019	6,580,000	3,294,348	698,332	329,330	9,176,016
2020	6,675,000	3,099,800	611,512	318,397	9,163,288
2021-2025	36,700,000	11,981,113	3,057,562	1,396,462	45,623,551
2026-2030	31,320,000	4,579,523	2,146,249	717,897	33,753,274
2031-2035	4,395,000	378,066	1,674,391		3,098,675
	<u>\$ 104,630,000</u>	<u>\$ 34,274,636</u>	<u>\$ 10,508,698</u>	<u>\$ 3,699,228</u>	<u>\$ 128,395,938</u>

NOTE 8 – PENSION PLANS

Plan Descriptions

The Madison County School District participates in the Teachers' Retirement System of the State of Kentucky (KTRS), a component unit of the Commonwealth of Kentucky which includes certified employees and the County Employees' Retirement System (CERS), a component unit of the Commonwealth of Kentucky which includes all other employees, both of which are cost-sharing multiple-employer defined benefit plans. KTRS, which qualifies as a special funding situation under GASB 68, and CERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. KTRS is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). Under the provisions of KRS Section 61.645, the Board of Trustees of Kentucky Retirement Systems (KERS) administers the CERS. The KTRS and CERS issue a publicly available financial reports that include financial statements and required supplementary information. KTRS' report may be obtained at www.ktrs.ky.gov. CERS' report may be obtained at www.kyret.ky.gov.

Benefits Provided

For Members Before 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 twenty-seven (27) years of Kentucky service.

MADISON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE 8 – PENSION PLANS – CONTINUED

Non-university members receive monthly payments equal to two percent (2%) (service prior to July 1, 1983) and two and one-half percent (2.5%) (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 two percent (2%) of their final average salary for each year of service if, upon retirement, their total service is less than ten (10) years. New members after July 1, 2002 who retire with ten (10) or more years of total service will receive monthly benefits equal to two and one-half percent (2.5%) of their final average salary for each year of service, including the first ten (10) years. In addition, non-university members who retire July 1, 2004 and later with more than thirty (30) years of service will have their multiplier increased for all years over thirty (30) from two and one-half percent (2.5%) to three percent (3%) to be used in their benefit calculation.

University employees receive monthly benefits equal to two percent (2%) of their final average salary for each year of credited service.

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 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.

For Members On or After 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 sixty (60) and complete five (5) years of Kentucky service, or
- 2.) Complete twenty-seven (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 of credited service greater than 30 years.

The annual retirement allowance for university members is equal to: (a) one and one-half percent (1.5%) of final average salary for each year of credited service if their service is 10 years or less; (b) one and seven tenths percent (1.7%) 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) one and eighty five hundredths percent (1.85%) of final average salary for each year of credited service if their service is greater than 20 years but less than 27 years; (d) two percent (2.0%) of final average salary for each year of credited service if their service is greater than or equal to 27 years.

MADISON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE 8 – PENSION PLANS – CONTINUED

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 the earlier of age 60 or the date the member would have completed 27 years of service.

Other Benefits:

The System provides post-employment medical benefits to retirees. The System also provides disability benefits for vested members at the rate of sixty percent (60%) 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. Cost of living increases are one and one-half percent (1.5%) 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. The State contributes 100 percent of school districts' contractually required contributions, which are actuarially determined. Employees are required to contribute 12.105 percent of their annual salary. The school districts' contractually required contribution rate for the year ended June 30, 2015, was 13.105 percent of salaries for members in the plan before July 1, 2008 and 14.105 percent of salaries for members who started their account after June 30, 2008. The District made no contributions to the pension plan for the year ended June 30, 2015.

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

At June 30, 2015, the District reported no net pension liability because it did not have a proportionate share of the net pension liability. There was no amount recognized by the District as its proportionate share of the net pension liability. The related State share of the net pension liability was \$281,876,971.

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation 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 school districts and the State, actuarially determined. At June 30, 2014, the District's proportion was 0 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$13,812,545 and revenue of \$13,812,545 for support provided by the State. At June 30, 2015, the District reported no deferred outflows of resources and no deferred inflows of resources related to KTRS.

MADISON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE 8 – PENSION PLANS – CONTINUED

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

Inflation	3.50 percent
Salary increases	4.00 – 8.20 percent, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with a set back of 1 year for females.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2010.

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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	45%	6.4%
Non U.S. Equity	17%	6.5%
Fixed Income	24%	1.6%
High Yield Bonds	4%	3.1%
Real Estate	4%	5.8%
Alternatives	4%	6.8%
Cash	2%	1.5%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability as of the Measurement Date was 5.23%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67. It was assumed that Plan member contributions will be made at the current contribution rates and that Employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members until the 2036 plan year and, as a result, the Municipal Bond Index Rate was used in the determination of the single equivalent interest rate (SEIR). On the Prior Measurement Date, the long-term expected rate of return of 7.50% on Plan investments was applied to periods before 2036 and the Municipal Bond Index Rate of 4.27% was applied to periods on or after 2036, resulting in an SEIR of 5.16%. There was a change in the Municipal Bond Index Rate from the Prior Measurement Date to the Measurement Date, so as required under GASB 68, the SEIR at the Measurement Date of 5.23% was calculated using the Municipal Bond Index Rate as of the Measurement Date (4.35%). This change in the discount rate is considered a change in actuarial assumptions under GASB 68.

MADISON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE 8 – PENSION PLANS – CONTINUED

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued KTRS financial report.

CERS

Benefits Provided

The system provides for retirement, disability, and death benefits to system members. Retirement benefits may be extended to beneficiaries of members under certain circumstances. Prior to July 1, 2009, cost-of-living adjustments (COLA) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. On July 1, 2013, the COLA was not granted. Effective July 1, 2009, and on July 1 of each year thereafter through June 30, 2015, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce the COLA if, in its judgment, the welfare of the Commonwealth so demands.

Contributions

For the fiscal year ended June 30, 2015, plan members who began participating prior to September 1, 2008, were required to contribute 5% of their annual creditable compensation. 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 preceding 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 bases adopted by the Board. The school districts' contractually required contribution rate for the year ended June 30, 2015, was 17.67 percent of annual creditable compensation. Contributions to the pension plan from the District were \$2,203,290

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

At June 30, 2015, the District reported a liability of \$17,257,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability 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 school districts, actuarially determined. At June 30, 2014, the District's proportion was 0.531918 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$1,381,000. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources: (1) Deferred outflows of resources for District contributions subsequent to the measurement date of \$2,203,290 and (2) Deferred inflows of resources for differences between expected and actual experience of \$1,926,000. The amount reported as deferred outflows for District contributions subsequent to the measurement date of \$2,203,290 will be recognized as a reduction of the net pension liability in the year ending June 30, 2016.

MADISON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE 8 – PENSION PLANS – CONTINUED

Actuarial Assumptions

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

Inflation	3.50 percent
Salary increases	4.5 percent, average, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other members. The Group Annuity Mortality Table set forward five years is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2008.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	30%	8.45%
International Equity	22%	8.85%
Emerging Market Equity	5%	10.50%
Private Equity	7%	11.25%
Real Estate	5%	7.00%
Core US Fixed Income	10%	5.25%
High Yield US Fixed Income	5%	7.25%
Non-US Fixed Income	5%	5.50%
Commodities	5%	7.75%
TIPS	5%	5.00%
Cash	1%	3.25%
Total	<u>100%</u>	

MADISON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE 8 – PENSION PLANS – CONTINUED

Discount Rate

The discount rate used to measure the total pension liability as of the Measurement Date was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.75%. The long-term assumed investment rate of return was applied to all periods of projected of 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 discount rate of 7.75 percent, 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 (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	22,710,000	17,257,000	12,440,000

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report.

DEFERRED COMPENSATION

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Sections 457, 401(k) and 403(b). The Plans, available to all employees, permits them to defer a portion of their salary until future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, allows entities with little or no administrative involvement who do not perform the investing function for these plans to omit plan assets and related liabilities from their financial statements. The District, therefore, does not show these assets and liabilities on these financial statements.

MADISON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE 9 – FUND BALANCES

Nonspendable fund balances are those that cannot be spent on future obligations. At June 30, 2015, there were no nonspendable fund balances.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2015, the District had \$796,359 restricted for grants in the special revenue fund, \$384 restricted for capital projects in the SEEK Capital Outlay Fund, \$7,402 restricted for capital projects in the FSPK Fund and \$10,051,857 restricted for capital projects in the Construction Fund.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District had the following commitments at June 30, 2015 in the General Fund - \$454,658 for SBDM carryforward, \$311,466 for compensated absences, \$6,089,144 for capital projects, \$475,000 for personnel and \$981,523 for buses and \$333,992 for school activities in the District Activity Fund..

Assigned fund balances are those amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrance of funds. The District had \$557,151 of assignments related to encumbrances recorded in the General Fund. Assigned fund balance also includes (a) all remaining amounts (except for 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. The District had the no additional assignments at June 30, 2015.

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

The District considers unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Also, the District 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.

NOTE 10 – COMMITMENTS AND 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.

MADISON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE 10 – COMMITMENTS AND CONTINGENCIES – CONTINUED

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.

The District is subject to various other legal actions in various stages of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the basic financial statements as a result of the cases presently in progress. 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 also has construction commitments for on-going projects at June 30, 2015.

On January 14, 2013 the District was notified that in order to settle outstanding claims and deficits of the Kentucky School Boards Insurance Trust (KSBIT), a non-profit self-insured pool, an assessment would be made to present and prior insurance trust members. On June 26, 2013, members were notified that the KSBIT board voted on June 24, 2013 to submit a plan for the assessment to the Kentucky Department of Insurance in favor of a novation option, under which a highly rated reinsurer would assume all of the liabilities of KSBIT and its members for claims for a set amount. The option resulted in an estimated liability for the District of \$862,353.

In August 2014, the District received an invoice for \$1,229,661 which was the amount expected to satisfy the claim. The District paid \$378,763 in August 2014 will pay \$236,946 in FY 2015 and FY 16, \$94,252 in FY 18, 19 and 20 and \$94,251 in FY21. The amount paid in August 2014 was recorded as a current liability in the Statement of Net Position and the remaining balance was classified as noncurrent as it was not expected to be paid by June 30, 2015; however, the assessment was not due at June 30, 2014, for the fund financial statements. The item is also an extraordinary item in the Statement of Activities because the item is unusual in nature and infrequent in occurrence. The assessment was recorded as an extraordinary item in the general fund for FY 2015 and the remaining liability of \$850,898 was recorded in the general fund. The amount recorded as a current liability in the Statement of Net Position is \$236,946 and the long-term portion is \$613,952. There was an adjustment in the Statement of Activities to reflect the change in the total assessment of \$1,229,661 that was previously expensed.

NOTE 11 – DEFICIT OPERATING BALANCES

The Food Service Fund had a deficit net position at June 30, 2015 in the amount of \$298,049. The deficit net position is a result of the recording of the net pension liability for CERS as part of the adoption of GASB Statement 68. The following funds had operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of fund balance/net position:

General Fund	\$ 988,188
Special Revenue Fund	82,334
SEEK Capital Outlay Fund	1,021,253
FSPK Fund	1,049,896

MADISON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE 12 – ON-BEHALF PAYMENTS

The District receives on-behalf payments from the Commonwealth of Kentucky for items including pension, technology, health care costs, operating costs and debt service. The amounts received and funds where these items were recorded for the fiscal year ended June 30, 2015 were as follows:

Health	\$ 10,057,138
Life	18,841
Admin	129,345
HRA	655,729
KTRS	6,642,515
Technology	116,327
Debt Service	532,017
Less: Federal Reimbursement	<u>(447,887)</u>
Total on-behalf	<u>\$ 17,704,025</u>

Recorded as follows:

General Fund	\$ 16,836,496
Food Service Fund	335,512
Debt Service Fund	<u>532,017</u>
	<u>\$ 17,704,025</u>

NOTE 13 – SUBSEQUENT EVENTS

On August 1, 2015, the District issued \$9,365,000 in School Building Revenue Bonds at interest rates ranging from 2% to 3.75.

REQUIRED SUPPLEMENTARY INFORMATION

MADISON COUNTY SCHOOL DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL**

GENERAL FUND

Year Ended June 30, 2015

	<u>Original</u>	<u>Final</u>	<u>Actual</u>
Revenues:			
From local sources:			
Taxes:			
Property	\$ 18,985,000	\$ 19,485,000	\$ 19,402,121
Motor vehicle	2,600,000	2,600,000	2,706,226
Utilities	5,150,000	5,200,000	5,134,095
Revenue in lieu of taxes	162,000	162,000	162,696
Earnings on investments	10,000	10,000	22,472
Other local revenues	71,500	71,500	56,082
Intergovernmental - State	54,804,301	55,617,661	57,557,727
Intergovernmental - Indirect Federal	260,000	385,000	426,123
Intergovernmental - Direct Federal	120,000	120,000	115,766
	<u>82,162,801</u>	<u>83,651,161</u>	<u>85,583,308</u>
Total Revenues			
Expenditures:			
Instruction	51,000,140	51,117,347	49,846,231
Support services:			
Student	5,114,998	5,036,535	5,632,800
Instruction staff	3,667,839	3,781,422	4,159,995
District administrative	2,190,751	2,267,899	1,430,992
School administrative	4,272,644	4,265,121	4,767,823
Business	1,491,771	1,415,131	1,521,643
Plant operation and maintenance	7,848,073	8,128,811	8,224,294
Student transportation	6,522,994	7,417,671	7,600,589
Community service activities	12,091	14,188	20,084
Other	5,675,000	6,279,000	
Facilities acquisition and construction	250,000	150,000	35,547
	<u>88,046,301</u>	<u>89,873,125</u>	<u>83,239,998</u>
Total Expenditures			
Excess (Deficit) of Revenues over Expenditures	(5,883,500)	(6,221,964)	2,343,310
Other Financing Sources (Uses):			
Proceeds from sale of capital assets	3,000	3,000	6,122
Insurance proceeds	5,500	38,300	157,663
Transfers in			49,428
Transfers out		(1,515,000)	(2,315,050)
	<u>8,500</u>	<u>(1,473,700)</u>	<u>(2,101,837)</u>
Total Other Financing Sources (Uses)			
Extraordinary item - KSBIT		(378,763)	(1,229,661)
Net Change in Fund Balance	(5,875,000)	(8,074,427)	(988,188)
Fund Balance, July 1, 2014	5,875,000	8,074,427	16,101,833
Fund Balance, June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,113,645</u>

MADISON COUNTY SCHOOL DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL**

SPECIAL REVENUE FUND

Year Ended June 30, 2015

	<u>Original</u>	<u>Final</u>	<u>Actual</u>
Revenues:			
Earnings on investments	\$ -	\$ -	\$ 559
Other local revenues		45,742	73,080
Intergovernmental - State	3,959,927	4,138,120	4,137,167
Intergovernmental - Indirect Federal	<u>5,652,199</u>	<u>6,343,874</u>	<u>6,604,370</u>
Total Revenues	9,612,126	10,527,736	10,815,176
Expenditures:			
Instruction	6,479,428	7,614,247	7,423,754
Support services:			
Student	345,154	446,734	443,519
Instruction staff	1,811,329	1,205,147	1,597,329
Business	20,000	20,000	20,000
Plant operation and maintenance		125,399	23,375
Student transportation	320,300	453,754	569,397
Community service activities	<u>885,915</u>	<u>912,455</u>	<u>896,921</u>
Total Expenditures	<u>9,862,126</u>	<u>10,777,736</u>	<u>10,974,295</u>
Excess (Deficit) of Revenues over Expenditures	(250,000)	(250,000)	(159,119)
Other Financing Sources (Uses):			
Transfers in	250,000	250,000	246,213
Transfers out			<u>(169,428)</u>
Total Other Financing Sources (Uses)	<u>250,000</u>	<u>250,000</u>	<u>76,785</u>
Net Change in Fund Balance	-	-	(82,334)
Fund Balance, July 1, 2014	<u>-</u>	<u>-</u>	<u>878,693</u>
Fund Balance, June 30, 2015	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 796,359</u></u>

MADISON COUNTY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE CERS NET PENSION LIABILITY

June 30, 2015

Last 10 Years *

	<u>2015</u>
Proportion of the net pension liability	0.531918%
Proportionate share of the net pension liability	\$ 17,257,000
Covered - employee payroll	\$ 12,354,347
Proportionate share of the net pension liability as percentage of covered payroll	139.7%
Plan fiduciary net position as a percentage of the total pension liability	66.80%

* Fiscal year 2015 was the first year of implementation, therefore, only one year is shown.

MADISON COUNTY SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS TO CERS

June 30, 2015

Last 10 Years *

	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 2,203,290
Contribution in relation to the actuarially determined contributions	<u>2,203,290</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered employee payroll	\$ 12,469,100
Contributions as a percentage of covered employee payroll	17.67%

* Fiscal year 2015 was the first year of implementation, therefore, only one year is shown.

MADISON COUNTY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2015

Changes of benefit terms. There were no changes in benefit terms.

Changes of assumptions. There were no changes in assumptions.

SUPPLEMENTARY INFORMATION

MADISON COUNTY SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2015

	District Activity Fund	SEEK Capital Outlay Fund	FSPK Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Assets:					
Cash, cash equivalents and investments	\$ 355,574	\$ 384	\$ 7,402	\$ -	\$ 363,360
Receivables:					
Other receivables	14,970				14,970
Total Assets	<u>\$ 370,544</u>	<u>\$ 384</u>	<u>\$ 7,402</u>	<u>\$ -</u>	<u>\$ 378,330</u>
Liabilities and Fund Balances:					
Liabilities					
Accounts payable	\$ 36,552	\$ -	\$ -	\$ -	\$ 36,552
Total Liabilities	<u>36,552</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,552</u>
Fund Balances					
Restricted		384	7,402		7,786
Committed	333,992				333,992
Total Fund Balances	<u>333,992</u>	<u>384</u>	<u>7,402</u>	<u>-</u>	<u>341,778</u>
Total Liabilities and Fund Balances	<u>\$ 370,544</u>	<u>\$ 384</u>	<u>\$ 7,402</u>	<u>\$ -</u>	<u>\$ 378,330</u>

MADISON COUNTY SCHOOL DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**

Year Ended June 30, 2015

	District Activity Fund	SEEK Capital Outlay Fund	FSPK Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues					
From local sources:					
Property taxes	\$ -	\$ -	\$ 7,403,535	\$ -	\$ 7,403,535
Other local revenue	629,555				629,555
Earnings on investments	7,614	1,002	1,438	30,521	40,575
Intergovernmental - State		1,041,745	2,866,980	532,017	4,440,742
Intergovernmental - Direct federal				331,657	331,657
Total Revenues	637,169	1,042,747	10,271,953	894,195	12,846,064
Expenditures					
Instruction	284,414				284,414
Support services:					
Instruction staff	69,780				69,780
District administrative			107,260		107,260
Student transportation	110,394				110,394
Bond issue costs				81,640	81,640
Debt service:					
Principal				5,670,000	5,670,000
Interest				3,893,715	3,893,715
Total Expenditures	464,588	-	107,260	9,645,355	10,217,203
Excess (Deficit) of Revenues over Expenditures	172,581	1,042,747	10,164,693	(8,751,160)	2,628,861
Other Financing Sources (Uses)					
Bond proceeds from refunding bonds				10,795,000	10,795,000
Bond premium				184,908	184,908
Payments to refunded escrow agent				(10,893,337)	(10,893,337)
Transfers in				8,664,589	8,664,589
Transfers out		(2,064,000)	(11,214,589)		(13,278,589)
Total Other Financing Sources (Uses)	-	(2,064,000)	(11,214,589)	8,751,160	(4,527,429)
Net Change in Fund Balances	172,581	(1,021,253)	(1,049,896)	-	(1,898,568)
Fund balance, July 1, 2014	161,411	1,021,637	1,057,298	-	2,240,346
Fund balance, June 30, 2015	\$ 333,992	\$ 384	\$ 7,402	\$ -	\$ 341,778

MADISON COUNTY SCHOOL DISTRICT

COMBINING STATEMENT OF FIDUCIARY NET POSITION

AGENCY FUNDS

June 30, 2015

	Daniel Boone Elementary	Glenn Marshall Elementary	Kingston Elementary	Kirksville Elementary	Kit Carson Elementary	Madison Kindergarten Academy
Assets						
Cash and cash equivalents	\$ 6,253	\$ 10,333	\$ 11,691	\$ 9,785	\$ 12,921	\$ 12,037
Receivables					35	54
Total Assets	<u>\$ 6,253</u>	<u>\$ 10,333</u>	<u>\$ 11,691</u>	<u>\$ 9,785</u>	<u>\$ 12,956</u>	<u>\$ 12,091</u>
Liabilities						
Accounts payable	\$ -	\$ 26	\$ 2,361	\$ -	\$ -	\$ 2,401
Due to student groups	6,253	10,307	9,330	9,785	12,956	9,690
Total Liabilities	<u>\$ 6,253</u>	<u>\$ 10,333</u>	<u>\$ 11,691</u>	<u>\$ 9,785</u>	<u>\$ 12,956</u>	<u>\$ 12,091</u>

	Shannon Johnson Elementary	Silver Creek Elementary	Waco Elementary	White Hall Elementary	B. Michael Caudill Middle School	Clark-Moores Middle School
Assets						
Cash and cash equivalents	\$ 6,173	\$ 26,950	\$ 11,262	\$ 10,050	\$ 16,123	\$ 90,595
Receivables	-	-	940	35	-	365
Total Assets	<u>\$ 6,173</u>	<u>\$ 26,950</u>	<u>\$ 12,202</u>	<u>\$ 10,085</u>	<u>\$ 16,123</u>	<u>\$ 90,960</u>
Liabilities						
Accounts payable	\$ -	\$ 124	\$ -	\$ -	\$ 29	\$ 12,109
Due to student groups	6,173	26,826	12,202	10,085	16,094	78,851
Total Liabilities	<u>\$ 6,173</u>	<u>\$ 26,950</u>	<u>\$ 12,202</u>	<u>\$ 10,085</u>	<u>\$ 16,123</u>	<u>\$ 90,960</u>

	Farristown Middle School	Foley Middle School	Madison Middle School	Madison Central High School	Madison Southern High School	Total Agency Fund
Assets						
Cash and cash equivalents	\$ 59,706	\$ 23,143	\$ 36,432	\$ 283,930	\$ 83,671	\$ 711,055
Receivables	-	300	73	7,428	2,295	11,525
Total Assets	<u>\$ 59,706</u>	<u>\$ 23,443</u>	<u>\$ 36,505</u>	<u>\$ 291,358</u>	<u>\$ 85,966</u>	<u>\$ 722,580</u>
Liabilities						
Accounts payable	\$ -	\$ 1,451	\$ -	\$ 4,075	\$ 4,505	\$ 27,081
Due to student groups	59,706	21,992	36,505	287,283	81,461	695,499
Total Liabilities	<u>\$ 59,706</u>	<u>\$ 23,443</u>	<u>\$ 36,505</u>	<u>\$ 291,358</u>	<u>\$ 85,966</u>	<u>\$ 722,580</u>

MADISON COUNTY SCHOOL DISTRICT

SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES

AGENCY FUNDS

YEAR ENDED JUNE 30, 2015

<u>SCHOOL</u>	<u>CASH BALANCES July 1, 2014</u>	<u>RECEIPTS</u>	<u>DISBURSE- MENTS</u>	<u>CASH BALANCES June 30, 2015</u>	<u>RECEIVABLES June 30, 2015</u>	<u>ACCOUNTS PAYABLE June 30, 2015</u>	<u>DUE TO STUDENT GROUPS June 30, 2015</u>
Daniel Boone Elementary	\$ 9,862	\$ 36,542	\$ 40,151	\$ 6,253			\$ 6,253
Glenn Marshall Elementary	30,337	64,085	84,089	10,333		26	10,307
Kingston Elementary	17,526	43,206	49,041	11,691		2,361	9,330
Kirksville Elementary	11,415	50,247	51,877	9,785			9,785
Kit Carson Elementary	21,143	35,921	44,143	12,921	35		12,956
Madison Kindergarten Academy	6,998	69,120	64,081	12,037	54	2,401	9,690
Shannon Johnson Elementary	15,260	38,936	48,023	6,173			6,173
Silver Creek Elementary	30,994	33,479	37,523	26,950		124	26,826
Waco Elementary	7,825	41,710	38,273	11,262	940		12,202
White Hall Elementary	57,042	61,268	108,260	10,050	35		10,085
B. Michael Caudill Middle	16,043	217,285	217,205	16,123		29	16,094
Clark-Moores Middle	76,766	261,378	247,549	90,595	365	12,109	78,851
Farristown Middle	53,763	202,440	196,497	59,706			59,706
Foley Middle	38,624	94,028	109,509	23,143	300	1,451	21,992
Madison Middle	28,734	150,742	143,044	36,432	73		36,505
Madison Central High	308,450	813,770	838,290	283,930	7,428	4,075	287,283
Madison Southern High	73,533	467,815	457,677	83,671	2,295	4,505	81,461
	<u>\$ 804,315</u>	<u>\$2,681,972</u>	<u>\$ 2,775,232</u>	<u>\$ 711,055</u>	<u>\$ 11,525</u>	<u>\$ 27,081</u>	<u>\$ 695,499</u>

MADISON COUNTY SCHOOL DISTRICT

SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES

MADISON CENTRAL HIGH SCHOOL

YEAR ENDED JUNE 30, 2015

NAME OF ACTIVITY	CASH BALANCES July 1, 2014	RECEIPTS	DISBURSE- MENTS	CASH BALANCES June 30, 2015	RECEIVABLES June 30, 2015	ACCOUNTS PAYABLE June 30, 2015	DUE TO STUDENT GROUPS June 30, 2015
General Fund	\$ 106,374	\$ 2,307	\$ 17,216	\$ 91,465	\$ 18	\$ 3,343	\$ 88,140
Student Fees	-	-	-	-	-	-	-
Championship Rings	-	-	-	-	-	-	-
Parking Stickers	4,059	4,994	8,693	360	-	-	360
Guidance-Testing	7,571	51,621	48,641	10,551	1,944	-	12,495
Pass Program	271	-	-	271	-	-	271
Administrative Fund	-	-	-	-	-	-	-
Lost textbooks	-	704	704	-	-	-	-
Interest	21	-	-	21	-	-	21
Fac-Staff Retirement Fund	2,109	463	632	1,940	-	-	1,940
Fac-Staff Appreciation	-	-	-	-	-	-	-
Vending-Staff Drinks	-	1,522	1,522	-	-	-	-
Vending-Staff Snacks	-	534	463	71	-	-	71
Vending- Student Drinks	-	3,833	3,833	-	-	-	-
Vending- Student Snacks	-	1,707	1,500	207	-	-	207
Home Economics	132	661	722	71	-	-	71
Freshman Academy	1,958	250	1,120	1,088	500	-	1,588
Library Activities	216	1,692	754	1,154	-	-	1,154
Staffulty Unity Club	3,285	2,282	3,631	1,936	-	-	1,936
Renaissance Program	3,009	-	1,450	1,559	-	-	1,559
Archery	-	-	-	-	-	-	-
Misc. Athletics	9,035	28,490	37,525	-	2,790	-	2,790
Advertisement-Athletics	8,840	24,026	23,521	9,345	200	-	9,545
Uniform Replacement	15,815	-	15,000	815	-	-	815
Gate receipts	-	890	890	-	-	-	-
Baseball	-	9,541	9,541	-	-	-	-
Baseball Club	1,431	36,544	25,682	12,293	-	-	12,293
World Archery Acct	4,633	7,831	9,625	2,839	800	-	3,639
Bowling team	2,076	3,036	4,085	1,027	-	-	1,027
11th Region cheer	-	-	-	-	-	-	-
Boys basketball	-	6,247	6,247	-	-	-	-
Boys basketball club	5,908	19,723	19,347	6,284	-	436	5,848
44th District	-	5,126	5,126	-	-	-	-
Girls Basketball	-	11,759	11,759	-	-	-	-
G/Basketball Club	6,844	10,761	10,356	7,249	-	-	7,249
State tshirts	-	-	-	-	-	-	-
Cheer club	-	51,449	46,657	4,792	176	-	4,968
Cheerleader trip	-	47,416	46,458	958	-	-	958
Concession	-	23,710	23,361	349	-	-	349
Cross country, boys	-	580	580	-	-	-	-
Cross country, girls	-	484	484	-	-	-	-
B/G Cross Cty Club	4,313	9,271	10,947	2,637	-	-	2,637
Var Dance club	4,595	9,353	12,467	1,481	-	-	1,481
Dance-nationals	-	-	-	-	-	-	-
Bass anglers	4,911	9,584	7,502	6,993	-	-	6,993
Football	-	13,909	13,909	-	-	-	-
Football Club	14,252	76,017	90,269	-	-	-	-
Football Special Projects	4,211	4,251	8,462	-	-	-	-
Boys golf	-	1,425	1,425	-	-	-	-
Boys golf club	1,524	5,951	6,464	1,011	-	-	1,011
Girls Golf	-	763	763	-	-	-	-
Girls Golf Club	-	-	-	-	-	-	-
Homecoming	1,682	2,400	2,360	1,722	-	-	1,722
Boys Soccer	-	2,662	2,662	-	-	-	-
Girls Soccer	-	2,675	2,675	-	-	-	-
Girls Soccer Club	8,378	14,454	13,206	9,626	-	-	9,626
Softball travel	3,000	-	-	3,000	-	-	3,000
Step Team	25	1,995	1,978	42	-	-	42

MADISON COUNTY SCHOOL DISTRICT

SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES

MADISON CENTRAL HIGH SCHOOL

YEAR ENDED JUNE 30, 2015

NAME OF ACTIVITY	CASH		DISBURSEMENTS	CASH		RECEIVABLES	ACCOUNTS PAYABLE	DUE TO STUDENT GROUPS
	BALANCES	RECEIPTS		BALANCES	June 30, 2015			
	July 1, 2014			June 30, 2015	June 30, 2015	June 30, 2015	June 30, 2015	June 30, 2015
Softball	-	4,183	4,183	-	-	-	-	-
Softball Club	4,522	33,986	27,913	10,595	-	181	10,414	-
Swimming	-	998	998	-	-	-	-	-
Swimming Club	-	10,075	7,544	2,531	-	-	2,531	-
Tennis	-	80	80	-	-	-	-	-
Tennis Club	1,677	2,473	2,614	1,536	-	-	1,536	-
Tournaments	-	11,450	11,450	-	-	-	-	-
Wrestling	-	2,579	2,579	-	-	-	-	-
Boys Track	-	2,337	2,337	-	-	-	-	-
Boys Track Club	-	12,727	12,727	-	-	-	-	-
Girls Track	-	2,312	2,312	-	-	-	-	-
Girls Track Club	-	100	100	-	-	-	-	-
Volleyball	-	4,520	4,520	-	-	-	-	-
Volleyball Club	1,740	12,516	12,636	1,620	-	-	1,620	-
Archery Club	847	14,081	14,079	849	-	-	849	-
Academic Team	257	1,199	1,282	174	-	-	174	-
Art Club	61	-	-	61	-	-	61	-
Culinary Skills Class	79	-	-	79	-	-	79	-
Champions	-	-	-	-	-	-	-	-
Choral Music	342	42,792	33,314	9,820	-	-	9,820	-
Dabs	336	306	450	192	-	-	192	-
Book Club	898	6,547	6,093	1,352	-	-	1,352	-
Thrift Store/Green Club	446	198	34	610	-	-	610	-
Drama Club	1,034	5	533	506	-	-	506	-
FCA	-	-	-	-	-	-	-	-
FFA Club	14,369	17,789	20,148	12,010	-	-	12,010	-
FCCLA	1,516	1,503	956	2,063	-	-	2,063	-
French Club	115	635	609	141	-	-	141	-
Independent Study Society	-	-	-	-	-	-	-	-
Broadcast Journalism	1,105	300	104	1,301	-	-	1,301	-
Success Workstudy	554	537	90	1,001	-	-	1,001	-
JROTC	4,287	10,109	13,253	1,143	-	-	1,143	-
Kyle Nehila Scholarship	-	-	-	-	-	-	-	-
Junior Class	8,533	17,559	14,592	11,500	-	-	11,500	-
Latin Club	715	5,338	6,003	50	-	-	50	-
Project Santa	4,538	3,293	3,001	4,830	-	-	4,830	-
Michael Hobbs Scholarship	-	-	-	-	-	-	-	-
Musical Theatre	5,787	20,672	21,464	4,995	1,000	-	5,995	-
National Honor Society	203	1,565	1,438	330	-	-	330	-
First Priority	793	-	291	502	-	-	502	-
Pep Club	1,160	780	1,708	232	-	-	232	-
Science Club	-	-	-	-	-	-	-	-
Science Olympiad	1,750	10,939	9,484	3,205	-	115	3,090	-
Teen Task Force	-	1,181	1,039	142	-	-	142	-
Dungeons and Dragons	59	10	-	69	-	-	69	-
Sophomore Class	4,088	5,885	6,789	3,184	-	-	3,184	-
Tomahawk Club	89	-	-	89	-	-	89	-
Soul	552	1,060	880	732	-	-	732	-
Spanish Club	2,278	800	1,536	1,542	-	-	1,542	-
Spanish Honor Society	-	356	102	254	-	-	254	-
Tammy Hooper Scholarship	-	-	-	-	-	-	-	-
Student Pride Tribe	-	-	-	-	-	-	-	-
Terry L Wells Interest	4,016	3	-	4,019	-	-	4,019	-
Together As One	1,496	85	1,575	6	-	-	6	-
Yearbook	3,581	8,418	4,248	7,751	-	-	7,751	-
Math Club	-	255	160	95	-	-	95	-
Senior Class	404	1,741	1,906	239	-	-	239	-
Technology Student Assoc.	36	-	-	36	-	-	36	-
Mock Trial	893	12,350	13,220	23	-	-	23	-
Express Yourself Clearly	-	2,266	1,793	473	-	-	473	-
Future Educators of America	-	-	-	-	-	-	-	-
Anatomy Club	-	1,920	1,920	-	-	-	-	-
Tribal Threads	354	6,906	6,805	455	-	-	455	-

MADISON COUNTY SCHOOL DISTRICT

SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES

MADISON CENTRAL HIGH SCHOOL

YEAR ENDED JUNE 30, 2015

NAME OF ACTIVITY	CASH BALANCES July 1, 2014	RECEIPTS	DISBURSE- MENTS	CASH BALANCES June 30, 2015	RECEIVABLES June 30, 2015	ACCOUNTS PAYABLE June 30, 2015	DUE TO STUDENT GROUPS June 30, 2015
CIA	1,109	1,085	412	1,782	-	-	1,782
Key Club	681	2,828	3,167	342	-	-	342
STLP	162	200	264	98	-	-	98
Ben Wingate Fund	-	-	-	-	-	-	-
Indian Princess	-	140	136	4	-	-	4
Recording Arts Club	-	2,031	-	2,031	-	-	2,031
Piano Lab	-	255	-	255	-	-	255
AAMMP	360	24	-	384	-	-	384
Monday Morning Men	81	70	151	-	-	-	-
UNICEF	-	-	-	-	-	-	-
GSA	46	207	56	197	-	-	197
Daniel Rector Scholarship	-	-	-	-	-	-	-
General-Dist Activity	23	48,879	45,559	3,343	-	-	3,343
Library-Dist Activity	-	-	-	-	-	-	-
Athletic-Dist Activity	-	51,590	51,590	-	-	-	-
Field Trip-Dist Activity	-	105	105	-	-	-	-
Sub Total	308,450	922,026	946,546	283,930	7,428	4,075	287,283
Interfund Transfers	-	108,256	108,256	-	-	-	-
TOTAL	\$ 308,450	\$ 813,770	\$ 838,290	\$ 283,930	\$ 7,428	\$ 4,075	\$ 287,283

MADISON COUNTY SCHOOL DISTRICT

SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES

MADISON SOUTHERN HIGH SCHOOL

YEAR ENDED JUNE 30, 2015

NAME OF ACTIVITY	CASH	RECEIPTS	DISBURSEMENTS	CASH	RECEIVABLES	ACCOUNTS PAYABLE	DUE TO
	BALANCES			BALANCES			STUDENT
	July 1, 2014			June 30, 2015	June 30, 2015	June 30, 2015	GROUPS
							June 30, 2015
Fees	\$ -	\$ 275	\$ 275	\$ -	\$ -	\$ -	\$ -
Interest	22	68		90			90
Parking	-			-			-
Photography	-			-			-
General	8,411	592	1,979	7,024			7,024
Vending Teachers Workroom	1,005	1,537	544	1,998			1,998
Vending	-	916		916			916
Drivers Ed	-			-			-
Textbooks	-	8	8	-			-
Hospitality	539	762	1,022	279			279
Charities	12	1,656	1,668	-			-
Project Graduation	-			-			-
Eagle Nest	870	6,493	6,057	1,306			1,306
MS Historical Club	353			353			353
Renaissance	-	1,923	1,886	37			37
Academic Team	34			34			34
Business	202	11,138	10,512	828			828
Beta Club	1,952	3,968	3,585	2,335			2,335
HOSA Club	-	360	318	42			42
AAHC	68			68			68
Envirothon Club	39	1,523	1,217	345		63	282
Drama Club	1,479	12,256	11,930	1,805			1,805
FCA	89	1,401	910	580			580
FFA Grant	-			-			-
FFA	1,320	27,251	27,010	1,561			1,561
FCCLA	5,385	31,394	34,134	2,645			2,645
Freshman Class	-	1,493	1,221	272			272
Senior Class	1,456	4,616	5,309	763			763
Junior Class	-			-			-
Sophomore Class	-			-			-
Newspaper	4,455	1,115	752	4,818			4,818
KEY Club	96	200	291	5			5
Pep Club	59			59			59
Youth Service Center	300			300			300
Science Club	183		183	-			-
Spanish Club	442	834	747	529			529
Science Olympiad	221	139	317	43			43
TSA	1,776	3,848	3,322	2,302			2,302
Homecoming	274	758	947	85			85
Step Team	-			-			-
Yearbook	9,149	4,840	2,168	11,821			11,821
Tri-M Honor Music Society	678	542	716	504			504
Student Council	386	54	207	233			233
Aquaculture	31		18	13			13
AFJROTC	1,858	9,376	7,746	3,488			3,488
Prom	7,546	16,983	14,639	9,890			9,890
Travel Club	-	1,150	1,045	105			105
Athletic Department	2,338	73,319	74,288	1,369	1,661		3,030
Letter Jackets	-	9,813	9,813	-			-
Athletic Buses	-			-			-
Athletic Uniforms	-			-			-
Golf Scramble	-			-			-
Archery	298	30,567	29,290	1,575			1,575
Region Tournament	-	9,051	9,051	-			-
District Tournaments	-	5,847	5,847	-			-
State Tournament	-	1,300	1,300	-			-
Baseball, Boys	1	5,778	5,753	26			26
Softball, Girls	130			130			130
Basketball, Boys	-	142		142			142
Basketball, Girls	413	575	140	848			848
Bass Team	67	354	400	21			21
Bowling	74			74			74
Football	-	3,000	2,970	30			30
Soccer, Boys	-	180		180			180
Soccer, Girls	-	90		90			90
Swim Team	-			-			-
Track, Boys	513			513			513
Track, Girls	-			-			-
Cross Country	-			-			-

MADISON COUNTY SCHOOL DISTRICT

SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES

MADISON SOUTHERN HIGH SCHOOL

YEAR ENDED JUNE 30, 2015

NAME OF ACTIVITY	CASH BALANCES July 1, 2014	RECEIPTS	DISBURSE- MENTS	CASH BALANCES June 30, 2015	RECEIVABLES June 30, 2015	ACCOUNTS PAYABLE June 30, 2015	DUE TO STUDENT GROUPS June 30, 2015
Tennis	190	1,012	1,070	132			132
Cheerleaders	1,599	5,141	6,740	-			-
Southern Belles	-			-			-
Golf, Boys	1,344	1,500	2,101	743			743
Golf, Girls	691	1,549	2,240	-			-
Volleyball	-			-			-
Art Club	470	310	284	496			496
Band	51	564	194	421			421
Techno Club	678	150		828			828
FMD Program	982	804	1,180	606			606
Greenhouse	6,063	5,926	4,438	7,551			7,551
Culinary Catering	-	630	500	130			130
Library	-	160	52	108			108
Social Studies Dept	-			-			-
Vo. Ag. Dept	10			10			10
Vocal Music	6,232	36,287	42,402	117			117
AFJROTC Dept	1,193			1,193			1,193
Reading	-			-			-
EDF	-			-			-
Eagle Graphics	-	5,111	67	5,044			5,044
Mock Trial Team	-	250	250	-			-
English	-			-			-
Scholarship Fund	-			-			-
Auditorium Rent	-			-			-
AFJROTC Logistical Support	(494)	6,896	6,891	(489)	634	135	10
Void	-			-			-
General - Dist Activity	-	39,592	35,869	3,723		3,723	-
Library- Dist Activity	-	2,581	2,237	344		344	-
Athletic- Dist Activity	-	87,555	87,315	240		240	-
Field Trip- Dist Activity	-			-			-
Sub Total	73,533	485,503	475,365	83,671	2,295	4,505	81,461
Interfund Transfers	-	17,688	17,688	-			-
TOTAL	\$ 73,533	\$ 467,815	\$ 457,677	\$ 83,671	\$ 2,295	\$ 4,505	\$ 81,461

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

MADISON COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED June 30, 2015

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS THROUGH GRANTOR'S NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Child Nutrition Cluster -			
Passed Through State Department of Education:			
National School Lunch	10.555	7750002-14 7750002-15	\$ 475,571 2,103,920
School Breakfast Program	10.553	7760005-14 7760005-15	152,002 663,044
Summer Food Service Program for Children	10.559	7690024-14 7740023-14 7740023-15	3,770 36,306 35,446
Non-Cash Assistance (Commodities)			
National School Lunch Program	10.555	057502-02	293,735
TOTAL CHILD NUTRITION CLUSTER			<u>3,763,794</u>
Passed Through State Department of Education:			
State Administrative	10.560	7850012-14	1,000
TOTAL U.S. DEPT. OF AGRICULTURE			<u>3,764,794</u>
<u>U.S. DEPARTMENT OF DEFENSE</u>			
National Guard Civilian Youth Opportunities	12.000	GF	115,766
TOTAL U.S. DEPT. OF DEFENSE			<u>115,766</u>
<u>APPALACHIAN REGIONAL COMMISSION</u>			
Passed Through Kentucky Appalachian Regional Commission:			
Appalachian Research, Technical Assistance and Demonstration Projects	23.011	6884	1,907
TOTAL APPALACHIAN REGIONAL COMMISSION			<u>1,907</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Special Education Cluster -			
Passed Through State Department of Education:			
Special Education - Grants to States	84.027	3373 3373p 3374 3374p 337a 3363V	15,071 3,884 87,307 14,306 1,957,932 167,481
			<u>2,245,981</u>
Special Education - Preschool Grants	84.173	3434 343A	13,727 93,078
			<u>106,805</u>
TOTAL SPECIAL EDUCATION CLUSTER			<u>2,352,786</u>
<u>OTHER U.S. DEPARTMENT OF EDUCATION PROGRAMS</u>			
Passed Through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	3103 3104 310A 3204E 3204AE	15,196 358,501 2,126,085 5,646 219,209
			<u>2,724,637</u>
Migrant Education, State Grant Program	84.011	3113S 3114 311A	4,199 70,650 80,209
			<u>155,058</u>

The accompanying notes are an integral part of this schedule.

MADISON COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONCLUDED

YEAR ENDED June 30, 2015

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS THROUGH GRANTOR'S NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
Title I State Agency Program for Neglected and Delinquent Children	84.013	3134T 313A 313AT	560 14,500 3,182 <hr/> 18,242
Vocational Education - Basic Grants to States	84.048	3484 348A	9,831 75,147 <hr/> 84,978
English Language Acquisition State Grants	84.365	3453 3453I 3454 345A	19,870 17,436 34,158 11,554 <hr/> 83,018
Improving Teacher Quality - State Grants	84.367	4014 401A	10,210 413,091 <hr/> 423,301
Race to the Top	84.413A	4521	<hr/> 26,332
Passed Through Berea College: Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	3794B 3494C 3494S 379AG 379AH 379AS	59 43,613 89 478,652 674 598 <hr/> 523,685
Passed Through University of Kentucky: Investing in Innovation	84.411	4914	1,031 <hr/> 6,393,068
TOTAL U.S. DEPARTMENT OF EDUCATION			<hr/> 6,393,068
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed Through State Department of Education: ARRA - Head Start, Recovery Act	93.708	6551C	<hr/> 6,475
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<hr/> 6,475
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Passed Through Madison County: Chemical Stockpile Emergency Preparedness Program	97.040	025BM 025DT GF	159,305 43,613 60,000 <hr/> 262,918
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<hr/> 262,918
TOTAL EXPENDITURES OF FEDERAL AWARDS			<hr/> \$ 10,544,928 <hr/>

The accompanying notes are an integral part of this schedule.

MADISON COUNTY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2015

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Madison County School District under programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Madison County School District, it is not intended to and does not present the financial position, changes in net position or cash flows of Madison County School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting for proprietary funds and the modified accrual basis of accounting for governmental funds. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed.

NOTE D – SUBRECIPIENTS

There were no subrecipients during the fiscal year.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MADISON COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued (unmodified):

Internal control over financial reporting:

- Material weakness(es) identified? yes none reported
- Significant deficiency(ies) identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted?

yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

yes no

Section I-Summary of Auditor's Results - Continued

Identification of major programs:

<u>CFDA Number</u>	<u>Federal Program or Cluster</u>
DEPARTMENT OF AGRICULTURE	
10.555	National School Lunch Program
10.553	School Breakfast Program
10.559	Summer Food Service Program for Children
DEPARTMENT OF EDUCATION	
Special Education Cluster	
84.027	Special Education - Grants to States
84.173	Special Education - Preschool Grants
Other Department of Education Programs	
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs
84.367	Improving Teacher Quality - State Grants

Dollar threshold used to distinguish
Between type A and type B programs: \$ 316,347

Auditee qualified as low-risk auditee? yes no

Section II – Financial Statement Findings

No matters

Section III – Federal Award Findings and Questioned Costs

No matters

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

MADISON COUNTY SCHOOL DISTRICT

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

June 30, 2015

There were no prior year federal audit findings.

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

CHRIS R. CARTER, CPA
SCOTT KISSELBAUGH, CPA
BRIAN S. WOOSLEY, CPA



STILES, CARTER & ASSOCIATES, P.S.C.

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Madison County School District
Richmond, Kentucky

We have audited, in accordance with the 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 requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Madison County School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Madison County School District's basic financial statements, and have issued our report thereon dated September 21, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Madison 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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 Madison County School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in the *Independent Auditor's Contract*.

We noted certain matters that we reported to management of Madison County School District in a separate letter dated September 21, 2015.

Madison County School District's Response to Findings

Madison County School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Madison County School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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.



Certified Public Accountants
Elizabethtown, Kentucky
September 21, 2015

**INDEPENDENT AUDITOR'S
REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

CHRIS R. CARTER, CPA
SCOTT KISSELBAUGH, CPA
BRIAN S. WOOSLEY, CPA



STILES, CARTER & ASSOCIATES, P.S.C.

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Madison County School District
Richmond, Kentucky

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Madison 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 *OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Madison 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 Madison County School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Madison County School District complied, in all material respects, with the 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, 2015.

Report on Internal Control Over Compliance

Management of Madison 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 Madison 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 in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Madison County School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Certified Public Accountants
Elizabethtown, Kentucky
September 21, 2015