MAYFIELD INDEPENDENT SCHOOL DISTRICT

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

Year ended June 30, 2015

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Required Supplementary Information:

Other Supplementary Information:

Reports Required by the Single Audit Act:

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INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits
and Members of the Board of Education
Mayfield Independent School District
Mayfield, Kentucky

Report on the Financial Statements

I 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 Mayfield Independent School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Mayfield Independent School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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, the provisions of *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations,* and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the Kentucky Public School Districts' Independent Auditor's Contract, including *Appendix I to the Independent Auditor's Contract – Audit Extension Request and Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Report, Audit Acceptance Statement and Statement of Certification*. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my 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 Mayfield Independent School District as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note O to the financial statements, in 2015 the Mayfield Independent School District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. My 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, budgetary comparison information, and pension information on pages 4 through 8 and 40 through 45 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mayfield Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated November 12, 2015, on my consideration of the Mayfield Independent School District's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Mayfield Independent School District's internal control over financial reporting and compliance.

Benton, Kentucky
November 12, 2015

MAYFIELD INDEPENDENT PUBLIC SCHOOL DISTRICT – MAYFIELD, KY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015

As management of the Mayfield Independent 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 general fund balance for the District was $2,243,835 and the ending balance was $1,881,379.
- The District had a combined fund balance for all governmental funds on July 1, 2013 of $3.034 million. The balance decreased to $2.898 million by June 30, 2014 and decreased to $1.904 million by June 30, 2015. The decrease was primarily due to construction expenditures related to the addition at the elementary school. The net position of the proprietary fund increased from $849,000 at July 1, 2013 to $1,059,000 by June 30, 2014 to $1,192,000 by June 30, 2015. The increase was primarily due to an increase in federal grant funds received over the past two years.
- One new 66 passenger school bus was added to the fleet for $85,000.
- Technology upgrades were made to student devices. Mayfield Middle School got two carts, one for reading and one for English. Each cart contained 30 iPads at a total cost of $31,500. Mayfield Elementary School received five iPads for each third through fifth grade class at a total cost of $49,875.
- The KETS technology match was made for $35,225.
- Excluding proceeds from the sale of fixed assets, the General Fund had $13,867,531 in revenue, which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes. Revenues increased $700,000 from the prior year, primarily due to an increase in state funding. Excluding interfund transfers, there was $14,221,234 in General Fund expenditures. Expenditures increased $270,000 from the prior year, primarily within the instruction function.
- There were no significant changes in any of the individual funds affecting the availability of fund resources for future use.

OVERVIEW OF FINANCIAL STATEMENTS

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

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 and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

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

The 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. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 9 and 10 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 fund is our food service operations. All other activities of the district are included in the governmental funds.

The basic fund financial statements can be found on pages 11 through 19 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 through 39 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 the District, assets plus deferred outflows exceeded liabilities and deferred inflows by $6,077,383 as of June 30, 2015. The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment, 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 are higher than in previous years due to the requirements of GASB 68, as more fully discussed in Note G.

	Net Position for the period ending June 30, 2015	June 30, 2014
Current Assets	$ 3,182,980	$ 4,226,695
Noncurrent Assets	14,411,733	13,975,162
Total Assets	**$ 17,594,713**	**$ 18,201,857**
Deferred Loss from Refunding Bonds	$ 340,309	$ 378,260
Contributions subsequent to the measurement date	494,169	0
Total Deferred Outflows of Resources	**$ 834,478**	**$ 378,260**
Current Liabilities	$ 1,142,495	$ 1,392,328
Noncurrent Liabilities	9,625,704	6,859,464
Total Liabilities	**$ 10,768,199**	**$ 8,251,792**
Difference between projected and actual earnings	$ 391,377	$ 0
Total Deferred Inflows of Resources	**$ 391,377**	**$ 0**
Net investment in capital assets	$ 8,241,175	$ 6,790,531
Restricted	905,453	1,445,302
Unrestricted	(1,877,013)	2,092,492
Total Net Position	**$ 7,269,615**	**$ 10,328,325**

Comments on Budget Comparisons

- There were no significant variations between the original and final budget amounts.
- The General Fund's total revenues for the fiscal year ended June 30, 2015, net of proceeds from the sale of fixed assets, were $13,867,531.
- General fund budget compared to actual revenue varied slightly from line item to line item with the actual revenues (excluding on behalf revenues, which are not budgeted) being $421,921 more than budget. The categories with the largest difference from budgeted amounts were taxes ($271,973 more than budget), other local funds ($101,594 more than budget), and indirect federal funds ($81,945 more than budget).
- The total cost of all General Fund programs and services was $14,221,234.
- General fund budget compared to actual expenditures varied slightly from line item to line item with the actual expenditures (excluding on behalf expenditures, which are not budgeted, and the contingency) being $579,556 less than budget.
- One major difference in the budgeted revenues and expenditures when compared to actual amounts were the recording of payments made by the state of on behalf payments, such as matching teacher retirement and health insurance. These payments are not required to be budgeted; however, they are required to be recorded in order to comply with generally accepted accounting principles. The total payments made in the current year by the state on behalf of the district recorded in the general fund were $3,127,858.

The following table presents a summary of governmental and business-type revenue and expense for the fiscal year ended June 30, 2015 as compared to the fiscal year ended June 30, 2014.

	June 30, 2015	June 30, 2014
Program Revenues:		
Charges for services – food services	$ 69,023	$ 87,013
Charges for services – governmental	128,633	91,303
Operating grants – food services	1,187,369	1,239,448
Operating grants – governmental	5,781,258	4,889,514
Capital grants – governmental	967,589	895,363
Total Program Revenues	**8,133,872**	**7,202,641**
General Revenues:		
Taxes	3,202,639	3,207,374
Earnings on investments	26,851	27,996
State and formula grants	7,495,763	7,309,082
Gain on disposal of fixed assets	820	0
Total General Revenues	**10,726,073**	**10,544,452**
Total Revenues	**18,859,945**	**17,747,093**
Expenses:		
Instruction	11,232,348	10,505,061
Student support services	552,953	425,398
Instructional support	792,701	746,044
District administration	606,109	594,922
School administration	862,216	911,713
Business support	279,457	211,975
Plant operations	1,870,563	1,982,523
Student transportation	648,563	662,912
Community services	211,883	196,445
Interest on long term debt	191,980	197,454
Food service operation	1,158,759	1,128,877
Other Debt service	12,464	19,506
Total Expenses	**18,419,996**	**17,582,830**
Change in Net Position	**439,949**	**164,263**
Beginning Net Position	**10,328,325**	**10,164,062**
Prior period adjustment	**(3,498,659)**	**0**
Ending Net Position	**$ 7,269,615**	**$10,328,325**

General Fund Revenue

The majority of revenue was derived from state funding ($10,631,495) making up 77% of total revenue and $2,871,973 from local taxes (21%).

General Fund Expenditures

The largest category of expenditures was for instruction (62%), followed by plant operations and maintenance (12%), school administration support services (6%), district administration support services (5%), instructional staff support services (5%), student transportation (4%), student support services (4%), and business support services (2%).

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2015, the District had $14,411,733 invested in land, buildings, and equipment. Of that amount, $14,101,900 is in governmental activities. The major increase in capital assets included construction of new classrooms at Mayfield Elementary School. Total additions to capital assets were $963,928, while depreciation expense was $497,058 in governmental activities, causing the net amount of noncurrent assets to increase by $466,169.

See Note E for a breakdown of additions by class on page 29.

Debt Administration

The District had $6,585,662 in bonds and capital leases payable outstanding on June 30, 2015. A total of $691,544 is due within one year. Bond principal payments during the year were $645,000, while KISTA principal payments were $41,228.

See Note F on pages 30-31 for a detailed list of bonds payable.

BUDGETARY IMPLICATIONS

In Kentucky, the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district overall budget. By law the budget must have a minimum 2% contingency. The district adopted a budget with $828,356 in contingency (7%). The beginning general fund balance for beginning the fiscal year was $2,243,835.

Mayfield Independent Public Schools received federal grants in the amount of $1,528,191 and are awarded on an October 1 to September 30 period. They also received state grants in the amount of $837,658 that are awarded on a July 1 through June 30 fiscal year period.

Questions regarding this report should be directed to the Superintendent Joe Henderson or by mail at 914 East College Street, Mayfield, KY 42066.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2015

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	$ 1,721,479	$ 828,234	$ 2,549,713
Accounts receivable:			
Taxes - current	136,281	0	136,281
Taxes - delinquent	2,240	0	2,240
Accounts receivable	11,226	0	11,226
Interest receivable	1	0	1
Intergovernmental - state	12,140	0	12,140
Intergovernmental - indirect federal	301,371	26,235	327,606
Inventory	0	50,288	50,288
Prepaid expenses	91,055	0	91,055
Due from school activity funds	2,430	0	2,430
Total current assets	2,278,223	904,757	3,182,980
Noncurrent Assets:			
Capital assets	26,105,906	754,453	26,860,359
Less: Accumulated depreciation	(12,004,006)	(444,620)	(12,448,626)
Total noncurrent assets	14,101,900	309,833	14,411,733
TOTAL ASSETS	$ 16,380,123	$ 1,214,590	$ 17,594,713
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred loss from refunding bonds	$ 454,162	$ 0	$ 454,162
Less: Accumulated amortization	(113,853)	0	(113,853)
Contributions subsequent to the measurement date	494,169	0	494,169
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$ 834,478	$ 0	$ 834,478
LIABILITIES :			
Current Liabilities:			
Accounts payable	$ 108,135	$ 11,382	$ 119,517
Unearned grant revenue	249,331	0	249,331
Current portion of bond obligations	663,000	0	663,000
Less: Current portion of unamortized bond discount	(12,464)	0	(12,464)
Current portion of KISTA notes payable	28,544	0	28,544
Current portion of KSBIT payable	29,174	0	29,174
Current portion of accrued sick leave	16,324	1,207	17,531
Interest payable	47,862	0	47,862
Total current liabilities	1,129,906	12,589	1,142,495
Noncurrent Liabilities:			
Noncurrent portion of bond obligations	5,834,000	0	5,834,000
Less: Noncurrent portion of unamortized bond discount	(62,331)	0	(62,331)
Noncurrent portion of KISTA notes payable	60,118	0	60,118
Noncurrent portion of KSBIT payable	145,867	0	145,867
Noncurrent portion of accrued sick leave	132,076	9,769	141,845
Net pension liability	3,506,205	0	3,506,205
Total noncurrent liabilities	9,615,935	9,769	9,625,704
TOTAL LIABILITIES	$ 10,745,841	$ 22,358	$ 10,768,199
DEFERRED INFLOWS OF RESOURCES:			
Difference between projected and actual earnings	$ 391,377	$ 0	$ 391,377
NET POSITION:			
Net investment in capital assets	$ 7,931,342	$ 309,833	$ 8,241,175
Restricted for:			
Construction	21,471	0	21,471
Debt service	1,583	0	1,583
Food service	0	882,399	882,399
Unrestricted	(1,877,013)	0	(1,877,013)
TOTAL NET POSITION	$ 6,077,383	$ 1,192,232	$ 7,269,615

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2015

		Program Revenues			Net (Expense) Revenue 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	$ 11,232,348	$ 128,633	$ 4,361,408	$ 967,589	$ (5,774,718)	$ 0	$ (5,774,718)
Support Services:							
Student	552,953	0	141,931	0	(411,022)	0	(411,022)
Instructional Staff	792,701	0	280,338	0	(512,363)	0	(512,363)
District Administration	606,109	0	89,487	0	(516,622)	0	(516,622)
School Administration	862,216	0	188,199	0	(674,017)	0	(674,017)
Business	279,457	0	94,240	0	(185,217)	0	(185,217)
Plant operations and maintenance	1,870,563	0	224,929	0	(1,645,634)	0	(1,645,634)
Student transportation	648,563	0	136,976	0	(511,587)	0	(511,587)
Food service	29,675	0	29,675	0	0	0	0
Community service activities	211,883	0	213,926	0	2,043	0	2,043
Interest on long-term debt	191,980	0	20,149	0	(171,831)	0	(171,831)
Other debt service	12,464	0	0	0	(12,464)	0	(12,464)
Total governmental activities	17,290,912	128,633	5,781,258	967,589	(10,413,432)	0	(10,413,432)
Business-Type Activities:							
Food service	1,129,084	69,023	1,187,369	0	0	127,308	127,308
Total business-type activities	1,129,084	69,023	1,187,369	0	0	127,308	127,308
Total primary government	$ 18,419,996	$ 197,656	$ 6,968,627	$ 967,589	(10,413,432)	127,308	(10,286,124)
General Revenues:							
Taxes:							
Property					2,234,846	0	2,234,846
Motor Vehicle					280,326	0	280,326
Utilities					639,723	0	639,723
In Lieu of					47,744	0	47,744
Earnings on Investments					20,524	6,327	26,851
State and formula grants					7,495,763	0	7,495,763
Gain on disposal of fixed assets					820	0	820
Change in net position					306,314	133,635	439,949
Net position at July 1, 2014					9,269,728	1,058,597	10,328,325
Prior period adjustment - Note O					(3,498,659)	0	(3,498,659)
Net position at June 30, 2015					$ 6,077,383	$ 1,192,232	$ 7,269,615

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
ASSETS AND RESOURCES:				
Cash and cash equivalents	$ 1,693,425	$ 0	$ 28,054	$ 1,721,479
Accounts receivable:				
Taxes - current	136,281	0	0	136,281
Taxes - delinquent	2,240	0	0	2,240
Accounts receivable	10,101	1,125	0	11,226
Interest receivable	1	0	0	1
Intergovernmental - state	1,866	10,274	0	12,140
Intergovernmental - indirect federal	358	301,013	0	301,371
Due from other funds	54,880	0	0	54,880
Due from school activity funds	2,430	0	0	2,430
Prepaid expenses	91,055	0	0	91,055
TOTAL ASSETS AND RESOURCES	$ 1,992,637	$ 312,412	$ 28,054	$ 2,333,103
LIABILITIES AND FUND BALANCE:				
LIABILITIES:				
Accounts payable	$ 94,934	$ 8,201	$ 5,000	$ 108,135
Due to other funds	0	54,880	0	54,880
Unearned grant revenue	0	249,331	0	249,331
Current portion of accrued sick leave	16,324	0	0	16,324
TOTAL LIABILITIES	111,258	312,412	5,000	428,670
FUND BALANCES:				
Nonspendable:				
Prepaids	91,055	0	0	91,055
Restricted:				
Construction	0	0	21,471	21,471
Debt service	0	0	1,583	1,583
Assigned:				
Purchase obligations	9,740	0	0	9,740
Unassigned	1,780,584	0	0	1,780,584
TOTAL FUND BALANCES	1,881,379	0	23,054	1,904,433
TOTAL LIABILITIES AND FUND BALANCES	$ 1,992,637	$ 312,412	$ 28,054	$ 2,333,103

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT 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		$1,904,433
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Cost	26,105,906	
Accumulated depreciation	(12,004,006)	14,101,900
Deferred outflows that are not financial resources and therefore are not reported as assets in the governmental funds balance sheet		
Deferred loss from refunding bonds	340,309	
Contributions subsequent to the measurement date	494,169	834,478
Deferred inflows that are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Difference between projected and actual earnings		(391,377)
Certain liabilities are not reported in the fund financial statements because they are not due and payable, but they are presented in the statement of net position.		
Interest payable	(47,862)	
Net pension liability	(3,506,205)	(3,554,067)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Bond and lease obligations	(6,422,205)	
KISTA notes payable	(88,662)	
KSBIT payable	(175,041)	
Accrued sick leave payable	(132,076)	(6,817,984)
Net position for governmental activities		$ 6,077,383

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2015

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:				
From Local Sources:				
Taxes:				
Property	$ 1,904,180	$ 0	$ 330,666	$ 2,234,846
Motor Vehicle	280,326	0	0	280,326
Utilities	639,723	0	0	639,723
In Lieu of	47,744	0	0	47,744
Earnings on Investments	20,524	0	0	20,524
Other local revenues	101,594	139,445	0	241,039
Intergovernmental - State	10,631,495	837,658	987,738	12,456,891
Intergovernmental - indirect federal	241,945	1,528,191	0	1,770,136
TOTAL REVENUES	13,867,531	2,505,294	1,318,404	17,691,229
EXPENDITURES:				
Current:				
Instruction	8,815,139	2,051,609	0	10,866,748
Support Services:				
Student	537,291	0	0	537,291
Instructional Staff	678,833	185,101	0	863,934
District Administration	736,005	0	0	736,005
School Administration	866,937	0	0	866,937
Business	258,088	0	0	258,088
Plant operations and maintenance	1,705,019	60,208	0	1,765,227
Student transportation	623,922	0	0	623,922
Food service	0	29,675	0	29,675
Community service activities	0	213,926	0	213,926
Facilities acquisition and construction	0	0	1,080,570	1,080,570
Debt service	0	0	844,101	844,101
TOTAL EXPENDITURES	14,221,234	2,540,519	1,924,671	18,686,424
Excess (deficit) of revenues over expenditures	(353,703)	(35,225)	(606,267)	(995,195)
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of fixed assets	1,521	0	0	1,521
Operating transfers in	0	35,225	778,273	813,498
Operating transfers out	(10,274)	0	(803,224)	(813,498)
TOTAL OTHER FINANCING SOURCES (USES)	(8,753)	35,225	(24,951)	1,521
Net change in fund balance	(362,456)	0	(631,218)	(993,674)
Fund Balance, July 1, 2014	2,243,835	0	654,272	2,898,107
Fund Balance, June 30, 2015	$ 1,881,379	$ 0	$ 23,054	$ 1,904,433

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT

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

For the Year Ended June 30, 2015

Net change in total fund balances per fund financial statements		$ (993,674)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays are exceeded by depreciation expense for the year.		
Depreciation expense	(497,058)	
Capital outlays	963,928	466,870
Gross proceeds from the sale of capital assets are reported as revenue in the governmental funds because they provide current financial resources. However, in the statement of activities, the undepreciated cost of those assets is deducted from the proceeds to report gain or loss on the sale.		
Gross proceeds from the sale of fixed assets	(1,521)	
Gain on the disposal of fixed assets	820	(701)
Bond proceeds are reported as financing sources in governmental funds and, thus, contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.		
Bond Principal paid	686,228	
Note principal paid	58,347	744,575
Governmental funds report the effect of gains, losses, and discounts when debt is first issued; whereas, these amounts are amortized in the statement of activities.		
Amortization of deferred loss on early retirement of debt	(37,951)	
Amortization of bond discounts	(12,464)	(50,415)
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. These net differences are as follows:		
Interest payable	3,844	
Pension expense	95,246	
Accrued sick leave	40,569	139,659
Change in net position of governmental activities		$ 306,314

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2015

	Food Service Fund
ASSETS:	
Current Assets	
Cash and cash equivalents	$ 828,234
Accounts receivable:	
Intergovernmental - indirect federal	26,235
Inventory	50,288
Total current assets	904,757
Noncurrent Assets	
Capital assets	754,453
Less: accumulated depreciation	(444,620)
Total noncurrent assets	309,833
TOTAL ASSETS	$ 1,214,590
LIABILITIES:	
Current Liabilities	
Accounts payable	$ 11,382
Current portion of accrued sick leave	1,207
Total current liabilities	12,589
Noncurrent Liabilities	
Noncurrent portion of accrued sick leave	9,769
Total noncurrent liabilities	9,769
TOTAL LIABILITIES	$ 22,358
Net Position	
Net investment in capital assets	$ 309,833
Restricted for food service	882,399
TOTAL NET POSITION	$ 1,192,232

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

PROPRIETARY FUNDS

For the Year Ended June 30, 2015

	Food Service Fund
Operating Revenues:	
Lunchroom sales	$ 60,792
Other operating revenues	8,231
Total operating revenues	69,023
Operating Expenses:	
Salaries and benefits	499,818
Contract services	47,461
Materials and supplies	543,201
Depreciation	36,546
Expendable equipment	2,024
Other operating expenses	34
Total operating expenses	1,129,084
Operating income (loss)	(1,060,061)
Non-Operating Revenues (Expenses):	
Federal grants	1,046,903
Donated commodities	59,507
State grants	80,959
Interest income	6,327
Total non-operating revenues	1,193,696
Change in net position	133,635
Net Position, July 1, 2014	1,058,597
Net Position, June 30, 2015	$ 1,192,232

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2015

	Food Service Fund
Cash Flows from Operating Activities:	
Cash received from:	
Lunchroom sales	$ 60,792
Other operating revenues	8,539
Cash paid to/for:	
Employees	(426,464)
Contract services	(43,946)
Materials and supplies	(471,196)
Expendable equipment	(2,024)
Other operating expenses	(34)
Net cash provided by (used in) operating activities	(874,333)
Cash Flows from Non-Capital Financing Activities:	
Operating grants received	1,051,806
Net cash provided by (used in) non-capital financing activities	1,051,806
Cash Flows from Capital and Related Financing Activities:	
Purchases of capital assets	(6,948)
Net cash provided by (used in) capital and related financing activities	(6,948)
Cash Flows from Investing Activities:	
Interest income received	6,327
Net cash provided by (used in) investing activities	6,327
Net increase (decrease) in cash and cash equivalents	176,852
Cash and cash equivalents, July 1, 2014	651,382
Cash and cash equivalents, June 30, 2015	$ 828,234
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:	
Operating income (loss)	$ (1,060,061)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	36,546
Commodities used	59,507
On-behalf payments	69,344
Changes in assets and liabilities:	
Inventory	7,148
Accounts receivable	308
Accounts payable	8,865
Accrued sick leave	4,010
Net cash provided by (used in) operating activities	$ (874,333)
Non-Cash Investing, Capital, and Financing Activities:	
Food commodities received	$ 59,507
On-behalf payments	69,344
Total Non-Cash Investing, Capital, and Financing Activities	$ 128,851

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2015

	Private Purpose Trust Funds	Agency Fund
ASSETS:		
Cash and cash equivalents	$ 84,293	$ 99,361
Accounts receivable	0	1,879
Total Assets	$ 84,293	$ 101,240
LIABILITIES:		
Accounts payable	$ 0	$ 2,167
Due to Board General Fund	0	2,430
Due to student groups	0	96,643
Total Liabilities	$ 0	$ 101,240
NET POSITION HELD IN TRUST	$ 84,293	$ 0

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

For the Year Ended June 30, 2015

	Private Purpose Trust Funds
Additions:	
Interest income	$ 106
Contributions received	26,438
Total Additions	26,544
Deductions:	
Benefits paid	25,892
Total Deductions	25,892
Change in net position	652
Net position, July 1, 2014	83,641
Net position, June 30, 2015	$ 84,293

See independent auditor's report and accompanying notes to financial statements

NOTE A – REPORTING ENTITY

The Mayfield Independent 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 the Mayfield Independent School District ("District"). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards because board members are elected by the public and have decision-making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and activities relevant to the operation of the Mayfield Independent School District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the District itself such as Band Boosters, Parent-Teacher Associations, etc. The District is not involved in budgeting or managing these organizations, and is not responsible for any debt of the organizations, nor has any influence over the operation of the organizations.

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

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

Mayfield Independent School District Finance Corporation – In 1991, the Mayfield Independent Board of Education resolved to authorize the establishment of the Mayfield Independent 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 board members of the Mayfield Independent Board of Education also comprise the Corporation's Board of Directors.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District's financial statements are prepared in accordance with generally accepted accounting principles (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. The most significant of the District's accounting policies are described below.

Basis of 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 all financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Presentation - 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 reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

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. The District does not allocate indirect expenses.

Fund Financial Statements – The financial transactions of the District are reported in individual funds in the fund financial statements, each of which is considered to be a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. 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. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

a) Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or proprietary fund are at least 10 percent of the corresponding total for all funds of that category or type, and
b) Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or proprietary fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined.
c) Funds may be reported as a major fund if the District considers them significant to the users of the financial statements.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, current liabilities, and fund balances, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The fiduciary funds are reported using the economic resources measurement focus.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Accounting

The District has the following funds:

I. Governmental Fund Types

(A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any unrestricted fund balances are considered as resources available for use. This is always classified as a major fund of the District per GASB 34.

(B) The Special Revenue (Grant) Fund accounts for proceeds of specific revenue sources, such as grants, donations, or gifts (other than expendable trusts or major capital projects) that are legally restricted or committed to expenditure for specified purposes other than debt service or capital projects. It includes state, federal and private grants where unused balances are returned to the grantor at the close of the specified project periods. Project accounting codes are employed to distinguish specific revenue sources and expenditures. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on page 54. The Kentucky Department of Education has deemed this fund always be classified as a major fund.

(C) Capital Project Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets (other than those financed by Proprietary Funds). Common sources of revenue to these funds are the capital outlay allotment, building fund tax levies, and sale of bonds.

1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds (unless authorized for retention in the General Fund) and is restricted for use in financing projects identified in the District's facility plan.

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

3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.

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

II. Proprietary Fund Types (Enterprise Fund)

The Food Service Fund (Enterprise) is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). An amount of $59,507 has been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Accounting – continued

III. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)

(A) Agency funds account for assets held by the District in a purely custodial capacity. Since Agency Funds are custodial in nature (i.e., assets equal liabilities), they do not involve the measurement of results of operations. The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These activity funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.

(B) The Private Purpose Trust funds are used to report trust arrangements under which principal and income benefit individuals, such as scholarships.

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.

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

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

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

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property Taxes

Property taxes are levied each October 1 on the assessed value listed as of the prior January 1, for all real and personal property within the School District. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending thirty days after the tax bill mailing. Property taxes collected are recorded as revenues in the fund for which they were levied.

The property tax rates assessed for the year ended June 30, 2015, to finance operations were $.683 per $100 valuation for real property, $.683 per $100 valuation for business personal property and $.689 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 District, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for revenues and expenses on the same basis as the actual financial statements, which is Generally Accepted Accounting Principles (GAAP).

Once the budget is approved, it can be amended. Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

Cash and Cash Equivalents

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

Inventories

The only inventory maintained by the District consists of expendable supplies held for consumption and is accounted for in the proprietary (food service) fund. Inventory consists of purchased food and donated commodities and is expensed when used. The purchased food is stated at cost and donated commodity inventory is stated at estimated value on date of receipt, with both types using the first-in, first-out method.

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2015 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed. Prepaid items at June 30, 2015 consisted of fleet, property, umbrella, and fidelity and blanket bonds paid during the fiscal year ended June 30, 2015 that included coverage for periods beyond June 30, 2015.

Debt Costs

Unamortized discounts of $74,795 are included in the government-wide statements. Discounts are amortized over the lives of the related debt issues using the straight-line method.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. At its July 18, 2012 meeting the Board approved a change to its Equipment and Assets policy in order to follow guidelines developed by the Kentucky Department of Education in its latest update on January 25, 2012. The guidelines established a capitalization threshold of $5,000 for real or personal property. The District chose to retain the exception relating to computer workstations, which are still capitalized regardless of value. Larger thresholds apply to buildings and building improvements ($15,000) and leasehold improvements ($50,000). Improvements to land and to buildings in excess of the above limits are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All capital assets, except land, 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 governmental and business-type capital assets:

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

Accumulated Unpaid Sick Leave Benefits

For those employees who qualify, the District has adopted the policy of providing at retirement a percentage of their accumulated unused sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's past experience of making termination payments and the age and current pay rates of eligible employees.

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

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

Accrued Liabilities and Long-Term Obligations

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accrued Liabilities and Long-Term Obligations - Continued

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

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of materials or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are re-appropriated in the next year. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying required supplementary information. Encumbrances are considered a managerial assignment of fund balance at June 30, 2015.

Fund Balance Classifications

Nonspendable fund balances are amounts that are not in a spendable form (such as prepaid expenses or inventories) or are required to be maintained intact.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, 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.

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 the program supervisors to complete purchase orders which result in the encumbrance of funds. Assigned fund balance also includes (a) all remaining amounts, except negative balances, that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

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 General Fund is the only fund that reports a positive unassigned fund balance. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The District considers restricted amounts to have been spent first when expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available. The District does not have a policy regarding the use of unrestricted fund balance amounts. Therefore, the default order is used which considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position includes all other net position that does not meet the definition of restricted or net investment in capital assets.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions or ancillary activities.

Use of Restricted Resources

When an expense is incurred for which there are both restricted and unrestricted net position available, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Pensions

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

Impact of Recently Issued Accounting Pronouncements

In June, 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions*. GASB 68 revised and established new financial reporting requirements for most governments that provide their employees with pension benefits. With the implementation of GASB Statement 68, employers are required to recognize a liability as employees earn their pension benefits (that is, as they provide services to the government). Employers participating in cost-sharing plans will recognize their proportionate share of the collective pension amounts for all benefits provided through the plan. The provisions of this statement became effective for financial statements for periods that began after June 15, 2014, which was the fiscal year ended June 30, 2015.

In November, 2013, the GASB issued Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB 71 amended a portion of GASB 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement were required to be applied simultaneously with the provisions of GASB 68; therefore it also became effective for the fiscal year ended June 30, 2015.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Interfund Activity

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

Subsequent Events

In preparing these financial statements, management has evaluated other events and transactions for potential recognition or disclosure through November 12, 2015, the date the financial statements were available to be issued.

NOTE C – ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires 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 expenditures during the reporting period. Actual results could differ from those estimates.

NOTE D – CASH AND CASH EQUIVALENTS

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to KRS 160.570 and 702 KAR 3:090. The depository bank deposits for safekeeping and trust with the District's third party agent approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Kentucky Revised Statutes authorize the Board to invest in direct obligations of the United States government, obligations backed by the full faith and credit of the United States government, certificates of deposit or other interest bearing accounts issued by any bank or saving and loan institution provided that such investment is insured by the FDIC or guaranteed by the pledge of direct United States Government obligations, bonds issued by the Commonwealth of Kentucky or one of its agencies and instrumentalities, securities issued by any state or local government of the United States rated in one of the three highest categories by a nationally recognized rating agency, certain mutual funds, commercial paper rated in the highest category by a nationally recognized rating agency, or bankers' acceptance for banks rated in one of the three highest categories by a nationally recognized rating agency. The District has no investment policy that would further limit its investment choices.

At year-end, the carrying amount of the District's total cash and cash equivalents was $2,733,367. The bank balance was $3,478,446. Of the bank balance, $251,583 was covered by Federal Depository insurance and the remaining balance was subject to custodial credit risk. 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 remaining balance of $3,226,863 was uninsured and collateralized with securities held by the pledging bank's agent, in the District's name.

Note E - Capital Assets

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

Governmental Activities	Balance July 1, 2014	Additions	Retirements	Balance June 30, 2015
Capital Assets:				
Land and improvements	$ 1,603,259	$ 0	$ 0	$ 1,603,259
Buildings and improvements	19,310,346	22,482	0	19,332,828
Technology equipment	1,902,408	187,470	184,566	1,905,312
Vehicles	1,336,787	51,976	64,420	1,324,343
General Equipment	984,475	99,877	9,218	1,075,134
Construction	262,907	605,545	3,422	865,030
Totals at historical cost	25,400,182	967,350	261,626	26,105,906
Less: Accumulated depreciation				
Land and improvements	597,075	4,335	0	601,410
Buildings and improvements	8,051,908	272,614	0	8,324,522
Technology equipment	1,614,414	118,568	183,865	1,549,117
Vehicles	989,256	48,024	64,420	972,860
General equipment	511,798	53,517	9,218	556,097
Total accumulated depreciation	11,764,451	497,058	257,503	12,004,006
Governmental Activities Capital Assets - Net	$ 13,635,731	$ 470,292	$ 4,123	$ 14,101,900
Business-Type Activities				
Capital Assets:				
Technology equipment	$ 28,478	$ 0	$ 895	$ 27,583
General Equipment	719,922	6,948	0	726,870
Totals at historical cost	748,400	6,948	895	754,453
Less: Accumulated depreciation				
Technology equipment	23,621	2,624	895	25,350
General Equipment	385,348	33,922	0	419,270
Total accumulated depreciation	408,969	36,546	895	444,620
Business-Type Activities Capital Assets - Net	$ 339,431	$ (29,598)	$ 0	$ 309,833

Depreciation expense was charged to governmental functions as follows:

Instructional	$ 340,656
Student support services	17,463
Instructional staff support services	10,475
District administration	12,431
School administration	1,116
Business	22,532
Plant operation and maintenance	56,556
Student transportation	35,368
Community services	461
Total depreciation expense	$ 497,058

NOTE F – GENERAL LONG-TERM OBLIGATIONS

The amount shown in the accompanying government-wide financial statements as bond obligations represent the District's future obligations to make lease payments related to school building revenue bonds issued by the Mayfield Independent School District Finance Corporation on behalf of the District for purposes of school facility construction. These amounts are not reflected on the fund financial statements.

The District, through the General Fund, SEEK Capital Outlay Fund and the Facility Support Program Levy Fund is obligated to make lease payments. The lease agreements provide, among other things, for rentals sufficient to satisfy debt service requirements on bonds issued by the Mayfield Independent School District Finance Corporation to construct school facilities. The District has the option to purchase the property under lease at any time by retiring the bonds then outstanding. Upon completion of such payments, the leased premises will become the property of the District. The District is obligated to maintain adequate property insurance on the school facilities, and the school facilities have been pledged as security for the holders of the bonds.

The KISTA school bus acquisition bonds provide for the title of the equipment (buses) to vest in the District subject to a first lien, and if nonrenewal or default occurs, the title will revert to KISTA. The District leases and rents the equipment from KISTA on an annual basis and has an exclusive option to renew this lease from year to year for the period of time of the pooled bond issue (approximately 10 years). The semi-annual bond interest and principal payments constitute the lease payments. The District is also obligated to keep the equipment in good repair and provide insurance coverage.

Following is a schedule of obligations existing at June 30, 2015:

Issue Date	Maturity Date	Interest Rates	Amount Outstanding
March 1, 2004	January 1, 2016	2.000% - 4.200%	$ 445,000
January 1, 2006 KISTA	January 1, 2016	3.300% - 4.000%	6,289
September 1, 2006 KISTA	September 1, 2017	3.500% - 3.875%	13,490
February 1, 2008 refunding	February 1, 2017	2.350% - 3.125%	190,000
January 1, 2009 KISTA	January 1, 2019	2.000% - 3.900%	29,456
December 1, 2009 KISTA	December 1, 2019	2.000% - 3.600%	39,427
March 20, 2012, refunding	March 1, 2024	0.600% - 2.300%	5,305,000
February 1, 2014	February 1, 2034	1.500% - 4.000%	557,000
			$ 6,585,662

In 1997 the District entered into a "participation agreement" with the Kentucky School Facilities Construction Commission (the "Commission"). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school boards in meeting school construction needs. The Commission will remit a stated amount of bond principal and interest payments annually, subject to biennial approval by the Kentucky General Assembly. Should approval not be received in future periods, the District remains obligated for the full amount of the bond principal and interest payments. Therefore, 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 March 20, 2012, the District issued bonds to currently refund all outstanding 2001 School Building Revenue Bonds and to advance refund on March 1, 2014 the outstanding 2004 School Building Revenue Bonds that were scheduled to mature on or after March 1, 2017. The defeased bonds were paid during the prior year. In the Statement of Net Position, the net costs associated with the early retirement of the issues are deferred and amortized over the lesser of the original remaining life of the old bonds or the life of the new bonds. The amount deferred is reported as a deferred outflow of resources. Total deferred costs were $454,162. Amortization for the year was $37,951 and is included as a component of interest expense.

NOTE F – GENERAL LONG-TERM OBLIGATIONS (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:

	Mayfield Independent School District		Kentucky School Facility Construction Commission		
Year	Principal	Interest	Principal	Interest	Total
2015-2016	$ 647,247	$ 118,841	$ 44,297	$ 21,728	$ 832,113
2016-2017	631,004	99,104	44,959	20,721	795,788
2017-2018	635,091	89,744	39,108	19,993	783,936
2018-2019	639,067	81,161	39,304	19,436	778,968
2019-2020	647,036	70,643	39,549	18,832	776,060
2020-2021	644,139	57,581	40,861	17,825	760,406
2021-2022	663,822	44,699	42,178	16,782	767,481
2022-2023	673,482	30,758	42,518	15,689	762,447
2023-2024	693,120	15,942	43,880	14,571	767,513
2024-2025	0	0	28,000	13,400	41,400
2025-2026	0	0	29,000	12,280	41,280
2026-2027	0	0	30,000	11,120	41,120
2027-2028	0	0	31,000	9,920	40,920
2028-2029	0	0	33,000	8,680	41,680
2029-2030	0	0	34,000	7,360	41,360
2030-2031	0	0	35,000	6,000	41,000
2031-2032	0	0	37,000	4,600	41,600
2032-2033	0	0	38,000	3,120	41,120
2033-2034	0	0	40,000	1,600	41,600
	$ 5,874,008	$ 608,473	$ 711,654	$ 243,657	$ 7,437,792

Interest incurred and charged to expense for fiscal year ended June 30, 2015 was $191,980.

A summary of changes in long-term debt is as follows:

Type	Balance June 30, 2014	Increases	Decreases	Balance June 30, 2015	Due Within One Year
Bonds payable	$ 7,142,000	$ 0	$ 645,000	$ 6,497,000	$ 663,000
Less: Unamortized discounts	(87,259)	0	(12,464)	(74,795)	(12,464)
Capital lease - KISTA	129,890	0	41,228	88,662	28,544
KSBIT payable	233,388	0	58,347	175,041	29,174
Sick leave	193,983	22,310	67,893	148,400	16,324
Totals	$ 7,612,002	$ 22,310	$ 800,004	$ 6,834,308	$ 724,578

NOTE G – RETIREMENT PLANS

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

General Information About the County Employees Retirement System Non-Hazardous ("CERS")

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

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

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

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

Contributions - Required contributions by the employee are based on the tier:

	Required contribution
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

NOTE G – RETIREMENT PLANS - CONTINUED

General Information About the Teachers' Retirement System of the State of Kentucky ("KTRS")

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

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

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

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

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

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

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

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

NOTE G – RETIREMENT PLANS – CONTINUED

Medical Insurance Plan

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

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

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

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

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

District's proportionate share of the CERS net pension liability	$ 3,506,205
Commonwealth's proportionate share of the KTRS net pension liability associated with the District	47,773,793
	$ 51,279,998

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

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2014, the District's proportion was .108070% of the total liability of CERS.

For the year ended June 30, 2015, the District recognized pension expense of $398,923 related to CERS and $1,125,803 related to KTRS. The District also recognized revenue of $1,125,803 for KTRS support provided by the Commonwealth. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE G – RETIREMENT PLANS – CONTINUED

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ 0	$ 391,377
District contributions subsequent to the measurement date	494,169	0
Total	$ 494,169	$ 391,377

$494,169 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year Ended June 30	Amount
2016	$78,275
2017	78,275
2018	78,275
2019	78,276
2020	78,276

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:

	CERS	KTRS
Inflation	3.50%	3.50%
Projected salary increases	4.50%	4.0-8.2%
Investment rate of return, net of investment expense and inflation	7.75%	7.50%

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

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

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

NOTE G – RETIREMENT PLANS – CONTINUED

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	45.0%	6.4%
Non U.S. Equity	17.0%	6.5%
Fixed Income	24.0%	1.6%
High Yield Bonds	4.0%	3.1%
Real Estate	4.0%	5.8%
Alternatives	4.0%	6.8%
Cash	2.0%	1.5%
Total	100.0%	

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

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

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

	1% Decrease	Current Discount Rate	1% Increase
CERS	6.75%	7.75%	8.75%
District's proportionate share of net pension liability	$4,613,922	$3,506,205	$2,527,498
KTRS	4.23%	5.23%	6.23%
District's proportionate share of net pension liability	$0	$0	$0

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

NOTE H – BENEFITS FUNDED BY KENTUCKY STATE DEPARTMENT OF EDUCATION

The Kentucky Department of Education has indicated the following amounts were contributed on-behalf of the District for the year ended June 30, 2015:

Contributions to Kentucky Teachers' Retirement System	$	1,125,803
Technology		56,745
SFCC Debt Service		65,828
Health insurance, life insurance, flexible spending accounts (includes administrative fee)		2,014,654
Total	$	3,263,030

These payments are recorded in the General, Debt Service, and Food Service Funds as revenues and expenditures. The District is not legally responsible for these contributions. These payments are not required to be budgeted by the District.

On-behalf contributions were charged to governmental functions as follows:

Instruction	$	2,217,067
Support services:		
Student		141,931
Instructional staff		95,237
District administration		89,487
School administration		188,199
Business		94,240
Plant operations and maintenance		164,721
Student transportation		136,976
Debt service		65,828
Food service		69,344
Total	$	3,263,030

NOTE I – 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 the grantor's review indicates that the funds have not been used for the intended purpose, the grantor 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.

In addition, the District operates in a heavily regulated environment. The operations of the District are subject to the administrative directives, rules and regulations of federal and state regulatory agencies, including, but not limited to, the U.S. Department of Education and the Kentucky Department of Education. Such administrative directives, rules and regulations are subject to change by an act of Congress of the Kentucky Legislature or an administrative change mandated by the Kentucky Department of Education. Such changes may occur with little or inadequate funding to pay for the related cost, including the additional burden to comply with a change.

NOTE J – INSURANCE AND RISK MANAGEMENT

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

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 K - COBRA

Under the *Consolidated Omnibus Reconciliation Act* ("COBRA"), employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the District at risk for a substantial loss (contingency).

NOTE L – COMMITMENTS FOR SCHOOL CONSTRUCTION

In November, 2013, the District received approval of a form BG-1 for an addition to the Mayfield Elementary School. The original BG-1 was for $1,040,375. A revision in April, 2014 decreased the amount to $975,392. As of the balance sheet date, $865,030 had been completed and is included in construction in progress.

NOTE M – INTERFUND RECEIVABLES AND PAYABLES

Each fund is a separate fiscal and accounting entity, and thus interfund transactions are recorded in each fund affected by a transaction. Interfund receivables and payables for the District arise generally from disbursements being made from a checking account that is used for the general fund, special revenue fund, capital projects funds, food service funds, and private purpose trust funds. When payments are made from the checking account, the amount reduces cash in the general fund, which may not have the legal liability for the expenditures; thus an interfund payable from the fund having the legal liability is established at such time, with a corresponding interfund receivable recorded in the general fund. Typically, interfund receivables and payables are resolved monthly; however, certain balances remained at June 30, 2015, which consisted of the following individual fund receivables and payables:

	Receivables	Payables
General Fund:		
Special Revenue Fund	$ 54,880	$ 0
Agency Fund	2,430	0
Special Revenue Fund:		
General Fund	0	54,880
Agency Fund:		
General Fund	0	2,430

NOTE N - TRANSFER OF FUNDS

Although each fund is its own distinct reporting entity, amounts may be transferred from one fund to another fund. The most common reasons for interfund transfers are for debt service payments and grant matching requirements. Interfund transfers are eliminated in the government-wide financial statements. The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Matching	General	Special Revenue	Technology Match	$ 10,274
Matching	Capital Outlay	Special Revenue	Technology Match	24,951
Operating	FSPK	Debt Service	Debt Service	778,273

NOTE O – CHANGE IN ACCOUNTING PRINCIPLE AND RELATED CHANGES TO CERTAIN BEGINNING BALANCES

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

GASB 68 required retrospective application. Since the District only presents one year of financial information, the beginning net pension was adjusted to reflect the retrospective application. The adjustment to the beginning net position was as follows:

Net Position, Beginning of Year, as Originally Stated	$ 9,269,728
Adjustments for Prior Period:	
Proportionate share of net pension liability	(3,967,000)
Deferred outflows	468,341
Net Position, Beginning of Year, as Restated	$ 5,771,069

REQUIRED SUPPLEMENTARY INFORMATION

MAYFIELD INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended June 30, 2015

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES:				
From Local Sources:				
Taxes:				
Property	$ 1,680,000	$ 1,680,000	$ 1,904,180	$ 224,180
Motor Vehicle	220,000	220,000	280,326	60,326
Utilities	600,000	600,000	639,723	39,723
In Lieu of	100,000	100,000	47,744	(52,256)
Earnings on Investments	20,000	20,000	20,524	524
Other local revenues	0	0	101,594	101,594
Intergovernmental - State	7,537,752	7,537,752	10,631,495	3,093,743
Intergovernmental - Indirect Federal	160,000	160,000	241,945	81,945
TOTAL REVENUES	10,317,752	10,317,752	13,867,531	3,549,779
EXPENDITURES:				
Current:				
Instruction	6,535,733	6,535,733	8,815,139	(2,279,406)
Support Services:				
Student	403,223	403,223	537,291	(134,068)
Instructional Staff	645,231	645,231	678,833	(33,602)
District Administration	641,506	661,736	736,005	(74,269)
School Administration	748,882	748,882	866,937	(118,055)
Business	110,036	110,036	258,088	(148,052)
Plant operations and maintenance	1,871,186	1,871,186	1,705,019	166,167
Student transportation	696,905	696,905	623,922	72,983
Contingency	828,356	828,356	0	828,356
TOTAL EXPENDITURES	12,481,058	12,501,288	14,221,234	(1,719,946)
Excess (deficit) of revenues over expenditures	(2,163,306)	(2,183,536)	(353,703)	1,829,833
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of fixed assets	0	0	1,521	1,521
Operating transfers in	0	20,230	0	(20,230)
Operating transfers out	(36,694)	(36,694)	(10,274)	26,420
TOTAL OTHER FINANCING SOURCES (USES)	(36,694)	(16,464)	(8,753)	7,711
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(2,200,000)	(2,200,000)	(362,456)	1,837,544
Fund Balance, July 1, 2014	2,200,000	2,200,000	2,243,835	43,835
Fund Balance, June 30, 2015	$ 0	$ 0	$ 1,881,379	$ 1,881,379

See independent auditor's report and accompanying notes to financial statements

NOTE: The on-behalf payments of $3,127,858 from the state are included in both revenues and expenditures in the actual column; however, this amount was not required to be included in the budget.

MAYFIELD INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL - SPECIAL REVENUE FUND

For the Year Ended June 30, 2015

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES:				
From Local Sources:				
Other local revenues	$ 0	$ 0	$ 139,445	$ 139,445
Intergovernmental - State	611,347	851,268	837,658	(13,610)
Intergovernmental - Indirect federal	1,482,752	1,505,451	1,528,191	22,740
TOTAL REVENUES	2,094,099	2,356,719	2,505,294	148,575
EXPENDITURES:				
Current:				
Instruction	1,780,112	1,945,686	2,051,609	(105,923)
Support Services:				
Instructional Staff	195,278	203,278	185,101	18,177
Plant operations and maintenance	0	88,713	60,208	28,505
Food service	0	0	29,675	(29,675)
Community service activities	155,403	155,736	213,926	(58,190)
TOTAL EXPENDITURES	2,130,793	2,393,413	2,540,519	(147,106)
Excess (deficit) of revenues over expenditures	(36,694)	(36,694)	(35,225)	1,469
OTHER FINANCING SOURCES (USES):				
Operating transfers in	36,694	36,694	35,225	(1,469)
TOTAL OTHER FINANCING SOURCES (USES)	36,694	36,694	35,225	(1,469)
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	0	0	0	0
Fund Balance, July 1, 2014	0	0	0	0
Fund Balance, June 30, 2015	$ 0	$ 0	$ 0	$ 0

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)
LAST FISCAL YEAR*

	2015
Employer's proportion of the net pension liability (asset)	0.108070%
Employer's proportionate share of the net pension liability (asset)	$ 3,506,205
Employer's covered-employee payroll	$ 2,802,413
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	125.11%
Plan fiduciary net position as a percentage of the total pension liability	66.80%

* The amounts presented for each fiscal year were determined as of June 30 of the prior year. Until a full ten year trend is compiled, governments will present information only for those years for which information is available.

NOTE: This schedule is based on the last measurement date of the net pension liability.

See Notes to Financial Statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
KENTUCKY TEACHERS RETIREMENT SYSTEM (KTRS)
LAST FISCAL YEAR*

	2015
Commonwealth's proportion of the net pension liability (asset)	0.232500%
Commonwealth's proportionate share of the net pension liability (asset) associated with the District	$ 47,773,793
District's covered-employee payroll	$ 7,683,219
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	621.79%
Plan fiduciary net position as a percentage of the total pension liability	45.59%

* The amounts presented for each fiscal year were determined as of June 30 of the prior year. Until a full ten year trend is compiled, governments will present information only for those years for which information is available.

NOTE: This schedule is based on the last measurement date of the net pension liability.

See Notes to Financial Statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)
LAST TEN FISCAL YEARS*

	2015	2014	2013
Contractually required contribution	$ 494,169	$ 473,411	$ 457,442
Contributions in relation to the contractually requied contribution	494,169	473,411	457,442
Contribution deficiency (excess)	$ 0	$ 0	$ 0
District's covered-employee payroll	$ 2,802,413	$ 2,506,148	$ 2,341,032
Contributions as a percentage of covered-employee payroll	17.63%	18.89%	19.54%

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

NOTE: This schedule is determined as of the employer's most recent fiscal year-end.

See Notes to Financial Statements

2012	2011	2010	2009	2008	2007	2006
$ 437,453	$ 389,879	$ 364,277	$ 293,643	$ 346,175	$ 267,832	$ 213,266
437,453	389,879	364,277	293,643	346,175	267,832	213,266
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$2,307,361	$2,288,398	$2,254,190	$2,175,139	$2,140,858	$2,030,566	$1,944,893
18.96%	17.04%	16.16%	13.50%	16.17%	13.19%	10.97%

MAYFIELD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
KENTUCKY TEACHERS RETIREMENT SYSTEM (KTRS)
LAST TEN FISCAL YEARS*

	2015	2014	2013
Contractually required contribution	$ 1,125,803	$ 870,124	$ 849,794
Contributions in relation to the contractually requied contribution	1,125,803	870,124	849,794
Contribution deficiency (excess)	$ 0	$ 0	$ 0
District's covered-employee payroll	$ 7,683,219	$ 7,301,694	$ 7,126,172
Contributions as a percentage of covered-employee payroll	14.65%	11.92%	11.92%

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

NOTE: This schedule is determined as of the employer's most recent fiscal year-end.

See Notes to Financial Statements

2012	2011	2010	2009	2008	2007	2006
$ 792,337	$ 710,176	$ 756,242	$ 760,478	$ 788,821	$ 737,771	$ 681,583
792,337	710,176	756,242	760,478	788,821	737,771	681,583
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$6,695,350	$6,520,622	$6,693,539	$6,580,210	$6,751,163	$6,255,217	$5,844,260
11.83%	10.89%	11.30%	11.56%	11.68%	11.79%	11.66%

OTHER SUPPLEMENTARY INFORMATION

MAYFIELD INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2015

	FSPK Fund	SEEK Capital Outlay Fund	Construction Fund	Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS AND RESOURCES:					
Cash and cash equivalents	$ 0	$ 0	$ 26,471	$ 1,583	$ 28,054
TOTAL ASSETS AND RESOURCES	$ 0	$ 0	$ 26,471	$ 1,583	$ 28,054
LIABILITIES AND FUND BALANCE:					
LIABILITIES:					
Accounts payable	$ 0	$ 0	$ 5,000	$ 0	$ 5,000
TOTAL LIABILITIES	0	0	5,000	0	5,000
EQUITY AND FUND BALANCES:					
Restricted:					
Construction	0	0	21,471	0	21,471
Debt service	0	0	0	1,583	1,583
TOTAL FUND BALANCES	0	0	21,471	1,583	23,054
TOTAL LIABILITIES AND FUND BALANCES	$ 0	$ 0	$ 26,471	$ 1,583	$ 28,054

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2015

	FSPK Fund	SEEK Capital Outlay Fund	Construction Fund	Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES:					
From Local Sources:					
Taxes:					
Property	$ 330,666	$ 0	$ 0	$ 0	$ 330,666
Intergovernmental - State	774,374	147,536	0	65,828	987,738
TOTAL REVENUES	1,105,040	147,536	0	65,828	1,318,404
EXPENDITURES:					
Facilities acquisition and construction	326,767	122,585	631,218	0	1,080,570
Debt service	0	0	0	844,101	844,101
TOTAL EXPENDITURES	326,767	122,585	631,218	844,101	1,924,671
Excess (deficit) of revenues over expenditures	778,273	24,951	(631,218)	(778,273)	(606,267)
OTHER FINANCING SOURCES (USES):					
Operating transfers in	0	0		778,273	778,273
Operating transfers out	(778,273)	(24,951)	0	0	(803,224)
TOTAL OTHER FINANCING SOURCES (USES)	(778,273)	(24,951)	0	778,273	(24,951)
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	0	0	(631,218)	0	(631,218)
Fund Balance, July 1, 2014	0	0	652,689	1,583	654,272
Fund Balance, June 30, 2015	$ 0	$ 0	$ 21,471	$ 1,583	$ 23,054

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See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

DEBT SERVICE FUNDS

For the Year Ended June 30, 2015

	2004 BONDS FUND	2008 BONDS FUND	2012 BONDS FUND	2014 BONDS FUND	KISTA	Totals Debt service Fund
REVENUES:						
Intergovernmental - State	$ 12,671	$ 7,234	$ 4,598	$ 41,325	$ 0	$ 65,828
TOTAL REVENUES	12,671	7,234	4,598	41,325	0	65,828
EXPENDITURES:						
Debt Service:						
Principal	430,000	90,000	100,000	25,000	41,228	686,228
Interest	29,980	8,615	98,465	16,325	4,488	157,873
TOTAL EXPENDITURES	459,980	98,615	198,465	41,325	45,716	844,101
Excess (deficit) of revenues over expenditures	(447,309)	(91,381)	(193,867)	0	(45,716)	(778,273)
OTHER FINANCING SOURCES (USES):						
Operating transfers in	447,309	91,381	193,867	0	45,716	778,273
TOTAL OTHER FINANCING SOURCES (USES)	447,309	91,381	193,867	0	45,716	778,273
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	0	0	0	0	0	0
Fund balance July 1, 2014	1,519	39	25	0	0	1,583
Fund balance June 30, 2015	$ 1,519	$ 39	$ 25	$ 0	$ 0	$ 1,583

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET - SCHOOL ACTIVITY FUNDS

June 30, 2015

	Mayfield Elementary School	Mayfield Middle School	Mayfield High School	Totals (Memorandum Only)
ASSETS:				
Cash and cash equivalents	$ 23,545	$ 35,970	$ 39,846	$ 99,361
Accounts Receivable	0	0	1,879	1,879
TOTAL ASSETS	$ 23,545	$ 35,970	$ 41,725	$ 101,240
LIABILITIES:				
Accounts Payable	$ 700	$ 1,091	$ 376	$ 2,167
Due to Board General Fund	0	0	2,430	2,430
Due to Student Groups	22,845	34,879	38,919	96,643
TOTAL LIABILITIES	$ 23,545	$ 35,970	$ 41,725	$ 101,240
NET POSITION HELD IN TRUST	$ 0	$ 0	$ 0	$ 0

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN DUE TO STUDENT GROUPS

SCHOOL ACTIVITY FUNDS

For the Year Ended June 30, 2015

	Mayfield Elementary School	Mayfield Middle School	Mayfield High School	Totals (Memorandum only)
REVENUES:				
From local sources:				
Earnings on Investments	$ 71	$ 116	$ 123	$ 310
Student activities	50,417	103,991	349,749	504,157
Total Revenues	50,488	104,107	349,872	504,467
EXPENDITURES				
Student Activities	52,007	105,500	343,927	501,434
Total expenditures	52,007	105,500	343,927	501,434
Excess (deficit) of revenues over expenditures	(1,519)	(1,393)	5,945	3,033
Due to student groups, July 1, 2014	24,364	36,272	32,974	93,610
Due to student groups, June 30, 2015	$ 22,845	$ 34,879	$ 38,919	$ 96,643

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT - ALL FUNDS COMBINED

STATEMENT OF RECEIPTS, DISBURSEMENTS & DUE TO STUDENT GROUPS

Mayfield High School

For the Year Ended June 30, 2015

	Cash Balance	*Receipts*		*Disbursements*	
	July 1, 2014	**Actual**	**Budget**	**Actual**	**Budget**
General Fund	$ 2,031.38	$ 18,853.21	$ 4,400.00	$ 17,056.11	$ 4,900.00
Build a Bed	0.00	1,660.00	0.00	1,656.80	0.00
Cardinals Closet	196.59	114.00	300.00	151.45	280.00
Student Council	415.67	360.15	350.00	478.78	410.00
Physics Class	2,088.01	0.00	0.00	68.67	2,088.00
Drama	0.00	843.37	900.00	701.31	1,050.00
Teacher Fund	1,562.67	830.38	950.00	1,465.22	1,090.00
Pure Cardinals	0.00	870.00	0.00	109.99	0.00
Cultural Diversity	0.00	6,824.20	5,615.00	6,824.20	5,191.00
Beta Club	148.04	859.00	900.00	843.53	900.00
Foreign Language	79.35	0.00	50.00	0.00	50.00
Key Club	7.94	339.00	375.00	0.00	125.00
FCA	51.39	228.00	300.00	228.00	300.00
FCCLA	0.00	488.00	273.00	478.92	200.00
FMD	126.37	230.40	300.00	99.87	150.00
Band	273.99	9,110.29	8,532.00	8,309.27	5,570.00
Sunshine Fund	334.99	720.00	725.00	565.00	765.00
Athletics	7,090.55	277,744.00	83,203.00	275,413.62	72,552.00
Class of 2015	498.01	0.00	0.00	498.01	498.00
Class of 2016	0.00	10,009.41	0.00	8,630.89	0.00
Guidance	5,377.83	7,800.15	9,674.00	6,395.50	9,279.00
WMCTV	449.57	10.00	350.00	163.82	803.00
Special Olympics	678.49	0.00	0.00	130.50	300.00
Library Activities	215.83	319.58	100.00	308.55	150.00
Arts and Humanities	391.00	0.00	0.00	0.00	391.00
AP History	70.65	4,393.95	3,200.00	4,382.35	3,200.00
Shakespeare & Peers	1,181.31	1,018.10	175.00	961.50	1,250.00
Rotary Interact	207.16	0.00	100.00	143.82	130.00
Beatnik Café	447.90	107.00	29.00	0.00	0.00
Publications	7,327.09	6,585.00	9,000.00	8,273.40	9,000.00
Sportsman Club	1,440.12	3,040.00	2,500.00	1,863.73	1,800.00
Subtotal	32,691.90	353,357.19	132,301.00	346,202.81	122,422.00
Less: Interfund Transfers	0.00	4,937.88	0.00	4,937.88	0.00
Total	$ 32,691.90	$ 348,419.31	$ 132,301.00	$ 341,264.93	$ 122,422.00

See independent auditor's report and accompanying notes to financial statements

	Cash Balance June 30, 2015	Accounts Receivable	Accounts Payable	Due to June 30, 2015
General Fund	$ 3,828.48	$ 702.07	$ 98.00	$ 4,432.55
Build a Bed	3.20	0.00	0.00	3.20
Cardinals Closet	159.14	0.00	0.00	159.14
Student Council	297.04	0.00	0.00	297.04
Physics Class	2,019.34	0.00	0.00	2,019.34
Drama	142.06	0.00	18.73	123.33
Teacher Fund	927.83	0.00	0.00	927.83
Pure Cardinals	760.01	0.00	0.00	760.01
Cultural Diversity	0.00	0.00	0.00	0.00
Beta Club	163.51	0.00	0.00	163.51
Foreign Language	79.35	0.00	0.00	79.35
Key Club	346.94	0.00	0.00	346.94
FCA	51.39	0.00	0.00	51.39
FCCLA	9.08	0.00	0.00	9.08
FMD	256.90	0.00	0.00	256.90
Band	1,075.01	0.00	0.00	1,075.01
Sunshine Fund	489.99	0.00	0.00	489.99
Athletics	9,420.93	1,120.42	2,689.42	7,851.93
Class of 2015	0.00	0.00	0.00	0.00
Class of 2016	1,378.52	0.00	0.00	1,378.52
Guidance	6,782.48	0.00	0.00	6,782.48
WMCTV	295.75	0.00	0.00	295.75
Special Olympics	547.99	0.00	0.00	547.99
Library Activities	226.86	57.00	0.00	283.86
Arts and Humanities	391.00	0.00	0.00	391.00
AP History	82.25	0.00	0.00	82.25
Shakespeare & Peers	1,237.91	0.00	0.00	1,237.91
Rotary Interact	63.34	0.00	0.00	63.34
Beatnik Café	554.90	0.00	0.00	554.90
Publications	5,638.69	0.00	0.00	5,638.69
Sportsman Club	2,616.39	0.00	0.00	2,616.39
Subtotal	39,846.28	1,879.49	2,806.15	38,919.62
Less:Interfund Transfers	0.00	0.00	0.00	0.00
Total	$ 39,846.28	$ 1,879.49	$ 2,806.15	$ 38,919.62

MAYFIELD INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF NET POSITION--ALL PRIVATE PURPOSE TRUST FUNDS

June 30, 2015

	Don McNeilly	Scott Nall Golf	MHS Booster Club	Grant Sloan Memorial	Mary Colby	Randle & Versa Watts	Trevor Williams/ McKenzie Stanley	Board Leadership Male
ASSETS:								
Cash and cash equivalents	$ 16,710	$ 2,662	$ 0	$ 13,541	$ 1,111	$ 30,806	$ 203	$ 1,511
TOTAL ASSETS	$ 16,710	$ 2,662	$ 0	$ 13,541	$ 1,111	$ 30,806	$ 203	$ 1,511
NET POSITION HELD IN TRUST	$ 16,710	$ 2,662	$ 0	$ 13,541	$ 1,111	$ 30,806	$ 203	$ 1,511

See independent auditor's report and accompanying notes to financial statements

Board Leadership Female	James Steel Robbins Memorial	Roy & Maxine Heath	McKenzie Staley Memorial	Nathan Sholar	Shelton Family	Thaddeus Hart	Higdon	Totals (Memorandum Only)
$ 1,511	$ 1,026	$ 501	$ 2,001	$ 1,503	$ 9,856	$ 351	$ 1,000	$ 84,293
$ 1,511	$ 1,026	$ 501	$ 2,001	$ 1,503	$ 9,856	$ 351	$ 1,000	$ 84,293
$ 1,511	$ 1,026	$ 501	$ 2,001	$ 1,503	$ 9,856	$ 351	$ 1,000	$ 84,293

MAYFIELD INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION HELD IN TRUST

ALL PRIVATE PURPOSE TRUST FUNDS

For the Year Ended June 30, 2015

REVENUES:	Don McNeilly	Scott Nall Golf	MHS Booster Club	Grant Sloan Memorial	Mary Colby	Randle & Versa Watts	Trevor Williams/ McKenzie Stanley	Board Leadership Male
From local sources:								
Donations	$ 0	$ 0	$ 0	$ 3,637	$ 450	$ 2,000	$ 0	$ 3,500
Earnings on Investments	45	7	0	29	1	17	0	1
Total Revenues	45	7	0	3,666	451	2,017	0	3,501
EXPENDITURES								
Benefits paid	500	500	500	2,000	500	13,392	0	2,500
Total expenditures	500	500	500	2,000	500	13,392	0	2,500
Excess (deficit) of revenues over expenditures	(455)	(493)	(500)	1,666	(49)	(11,375)	0	1,001
Net Position Held in Trust July 1, 2014	17,165	3,155	500	11,875	1,160	42,181	203	510
Net Position Held in Trust June 30, 2015	$ 16,710	$ 2,662	$ 0	$ 13,541	$ 1,111	$ 30,806	$ 203	$ 1,511

See independent auditor's report and accompanying notes to financial statements

Board Leadership Female	James Steel Robbins Memorial	Roy & Maxine Heath	McKenzie Stanley Memorial	Nathan Sholar	Shelton Family	Thaddeus Hart	Higdon	Totals (Memorandum Only)
$ 3,000	$ 1,000	$ 500	$ 1,000	$ 0	$ 10,000	$ 351	$ 1,000	$ 26,438
1	1	0	0	0	4	0	0	106
3,001	1,001	500	1,000	0	10,004	351	1,000	26,544
2,000	1,000	500	0	0	2,500	0	0	25,892
2,000	1,000	500	0	0	2,500	0	0	25,892
1,001	1	0	1,000	0	7,504	351	1,000	652
510	1,025	501	1,001	1,503	2,352	0	0	83,641
$ 1,511	$ 1,026	$ 501	$ 2,001	$ 1,503	$ 9,856	$ 351	$ 1,000	$ 84,293

MAYFIELD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. Department of Education:			
Passed Through Kentucky Department of Education:			
Special Education Grants to States	84.027	3810002-12, 13 & 14	$ 415,275
Special Education Preschool Grants	84.173	3800002-13 & 14	16,493
Total Special Education Cluster			431,768
Title I Grants to Local Educational Agencies	84.010	3100002-12, 13, & 14	805,681
English Language Acquisition State Grants	84.365	3300002-12, 13 & 14	45,253
Improving Teacher Quality State Grants	84.367	3230002-13 & 14	84,842
Rural Education	84.358	3140002-13 & 14	18,552
Migrant Education State Grant Program	84.011	3110002-10, 13 & 14	90,161
Race to the Top	84.413	3960002-11	10,795
Career and Technical Education Basic Grants to States	84.048	3710002-14	11,464
TOTAL U.S. DEPARTMENT OF EDUCATION			**1,498,516**
U.S. Department of Health & Human Services:			
Passed through Murray Board of Education:			
Head Start	93.600	04CH2692	119,227
TOTAL U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES			**119,227**
U.S. Department of Agriculture:			
Passed Through Kentucky Department of Education:			
National School Lunch Program - cash	10.555	7750002-14 & 15	744,364
National School Lunch Program - donated foods (Note B)	10.555	N/A	59,507
School Breakfast Program	10.553	7760005-14 & 15	295,827
Summer Food Service Program for Children	10.559	7690024-14 & 7740023-14	36,387
Total Child Nutrition Cluster			1,136,085
TOTAL U.S. DEPARTMENT OF AGRICULTURE			**1,136,085**
TOTAL FEDERAL ASSISTANCE			**$ 2,753,828**

See accompanying notes to schedule
of expenditures of federal awards

MAYFIELD INDEPENDENT SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2015

NOTE A – BASIS OF PRESENTATION

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

NOTE B – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. Per USDA instructions, commodities expended are recorded at an amount equal to commodities received and the inventory at June 30, 2015 is combined with purchased food inventory. The pass-through number for the commodities program was not available for the Schedule of Expenditures of Federal Awards.

NOTE C – RECONCILIATION OF SCHEDULE TO FINANCIAL STATEMENTS

The following is a reconcilement of the total in the schedule of expenditures of federal awards to the total federal revenue included in the statement of revenues, expenditures and changes in fund balances – governmental funds on page 13 of the audit report and in the statement of revenues, expenses, and changes in net position – proprietary funds on page 16 of the audit report:

Total intergovernmental – indirect federal from page 13	$	1,770,136
Total federal grants from page 16		1,046,903
Donated commodities from page 16		59,507
Less: Medicaid reimbursements included in indirect federal on page 13		(122,718)
Total on page 54	$	2,753,828

REPORTS REQUIRED BY THE SINGLE AUDIT ACT

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

Kentucky State Committee for School District Audits
and Members of the Board of Education
Mayfield Independent School District
Mayfield, Kentucky

I 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 audit requirements prescribed by the Kentucky State Committee for School District Audits in the Kentucky Public School Districts' Independent Auditor's Contract, including *Appendix I to the Independent Auditor's Contract – Audit Extension Request and Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Report, Audit Acceptance Statement, and Statement of Certification*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Mayfield Independent School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Mayfield Independent School District's basic financial statements, and have issued my report thereon dated November 12, 2015.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Mayfield Independent 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Mayfield Independent School District's internal control. Accordingly, I do not express an opinion on the effectiveness of the Mayfield Independent School District's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be significant deficiencies. However, significant deficiencies may exist that have not been identified. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that I consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiencies described in the accompanying schedule of findings and questioned costs as finding reference numbers 2015-001, 2015-002, 2015-003 and 2015-004 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Mayfield Independent School District's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, the results of my tests disclosed instances of material noncompliance of specific state statutes or regulations identified in the Kentucky Public School District's *Independent Auditor's Contract*, as noted in finding reference numbers 2015-001 and 2015-002.

I noted certain matters that I reported to management of the Mayfield Independent School District in a separate letter dated November 12, 2015.

Mayfield Independent School District's Response to Findings

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

Purpose of this Report

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

Benton, Kentucky
November 12, 2015

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Kentucky State Committee for School District Audits
and Members of the Board of Education
Mayfield Independent School District
Mayfield, Kentucky

Report on Compliance for Each Major Federal Program

I have audited the Mayfield Independent School District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget* (*OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Mayfield Independent School District's major federal programs for the year ended June 30, 2015. Mayfield Independent School District's major federal program is 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

My responsibility is to express an opinion on compliance for each of the Mayfield Independent School District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133*, Audits of States, Local Governments, and Non-Profit Organizations*; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the Kentucky Public School Districts' Independent Auditor's Contract, including *Appendix I to the Independent Auditor's Contract – Audit Extension Request and Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Report, Audit Acceptance Statement and Statement of Certification*. Those standards and OMB Circular A-133 require that I 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 Mayfield Independent School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the Mayfield Independent School District's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of Mayfield Independent 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 my audit of compliance, I considered Mayfield Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Mayfield Independent School District's internal control over compliance.

My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, as discussed below, I identified a certain deficiency in internal control over compliance that I consider to be a significant deficiency.

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

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. I consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2015-005 to be a significant deficiency.

Mayfield Independent School District's Response to Findings

The Mayfield Independent School District's response to the internal control over compliance finding identified in my audit is described in the accompanying schedule of findings and questioned costs. The Mayfield Independent School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of my 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.

Benton, Kentucky
November 12, 2015

MAYFIELD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2015

I. SUMMARY OF AUDITOR'S RESULTS:

1. The auditor's report expresses an unmodified opinion on the financial statements of the Mayfield Independent School District.

2. Four material weaknesses in internal control over financial reporting were disclosed during the audit of the financial statements and are reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards as reference numbers 2015-001, 2015-002, 2015-003 and 2015-004. No significant or other deficiencies in internal control over financial reporting were disclosed during the audit of the financial statements.

3. No instances of noncompliance material to the financial statements of Mayfield Independent School District that were required to be reported under Government Auditing Standards were disclosed during the audit; however two instances of noncompliance with specific state statutes or regulations were disclosed during the audit of the financial statements and are reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards as reference numbers 2015-001 and 2015-002.

4. One significant deficiency in internal control over the major federal award program was disclosed during the audit of the major federal award program and is reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133 as reference number 2015-005. No material weaknesses in internal control over the major federal award programs were disclosed during the audit.

5. The auditor's report on compliance for the major federal award program for Mayfield Independent School District expresses an unmodified opinion on the major federal program.

6. There were no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 relative to the major federal award program for Mayfield Independent School District.

7. The program tested as a major program included:

Name of Federal Program or Cluster	CFDA Number
Title I Grants to Local Educational Agencies	84.010

8. The threshold for distinguishing Types A and B programs was $300,000.

9. Mayfield Independent School District qualified to be a low-risk auditee.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2015

II. FINDINGS – FINANCIAL STATEMENT AUDIT

Material Weaknesses in Internal Control and Noncompliance with Specific State Statutes or Regulations

2015-001. Payroll Processing

Statement of Finding (Condition): When reviewing a sample of payroll transactions, we noted that some of the salary amounts being paid did not have all of the documentation in the personnel file to support the amount.

Criteria: 702 KAR 3:070 Section 2. (1) states that "A local board of education shall validate all experience of professional personnel employed in the school district". Section 2. (2) goes on to state that "The validation of experience shall be on file in the office of the superintendent".

Context: Out of 60 payroll transactions tested, we noted 11 that did not have proper documentation to support the amount being paid. Five were certified employees whose personnel files did not contain documentation for all experience to support the amount paid based on the salary schedule. Two were classified employees who were paid at a rate on a different salary schedule than the schedule that should have been used based on the documentation in the files. One person was paid at a part-time rate, while working full-time hours. Another was paid $1 more than the salary schedule indicated based on experience. The personnel files for two classified employees did not have a contract.

Cause and Effect: Although proper controls have been in place, they have not been fully implemented. A person independent of payroll preparation had been given the duty of examining all files for proper documentation; however, when items were missing from the file, no follow-up was done. This can have the effect of an employee being paid an amount that is different than what should be paid based on the salary schedule.

Recommendation: We recommend that controls be reviewed in this area and a person be assigned the duty of making sure that all documents are on hand before that employee receives the first paycheck.

Management's Response: We have new procedures in place to verify that an employee folder is complete. We started with new employees and will be updating older files as we go. We have also reviewed pay records and confirmed that they match our salary schedule. Contracts will match the salary schedule.

2015-002. Purchasing Procedures

Statement of Finding (Condition): When reviewing a sample of disbursements, we noted that purchase orders are not being used for all purchases, particularly when the purchase is made with a credit card. Also, travel vouchers are not appropriately approved.

Criteria: The Auditor Alert includes a statement that "All charges should include a purchase order, itemized receipt or invoices, and a shipping receipt if applicable. If the credit card was used to purchase hotel rooms and/or meals for more than one employee, the purchase order should include proper documentation on the related business function and employee names in attendance of the benefit.

Context: Out of 60 disbursements tested, 31 were not supported by proper purchase orders or travel vouchers.

II. FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)

Material Weaknesses in Internal Control and Noncompliance with Specific State Statutes or Regulations (Continued)

2015-002. Purchasing Procedures (Continued)

Cause and Effect: Although proper controls have been in place, not all employees are obtaining written approval prior to making a purchase. This could lead to unauthorized disbursements being made.

Recommendation: We recommend that all employees with purchasing authorization be provided a copy of the purchasing policies, with proper follow-up done when documentation is missing or incomplete.

Management's Response: Employees with access to credit cards will be reminded that each charge should have a purchase order and detailed receipt. Our travel voucher has an added section for "preapproval for travel". All of the superintendent's reimbursements will be approved by either the Finance Officer or the Board. Our new accounts payable person has extensive experience and is striving to follow district protocol with collecting the supporting paperwork.

Material Weaknesses in Internal Control

2015-003. Fixed Assets Procedures

Statement of Finding (Condition): When reviewing fixed asset additions, we noted that while most were tagged when received, the assets were not being entered into the MUNIS fixed asset module.

Criteria: Fixed assets should be posted to the fixed asset module in order to report accurate capital asset information and so that depreciation may be correctly calculated.

Context: Approximately 300 fixed assets were not posted to the system in a timely manner. The total of those assets was approximately $360,000.

Cause and Effect: The person responsible for posting the assets to the MUNIS system did not enter them throughout the year. When the annual report was prepared, it was not known that the assets were not entered and depreciation was calculated without those assets. District personnel was advised that the assets could not be posted after depreciation had been run and that depreciation must be reversed in order to then enter the assets.

Recommendation: We recommend that an employee be assigned the task of entering the fixed assets on a routine basis.

Management's Response: For reasons unknown to the District, the accounts payable person who retired failed to enter any fixed assets for the year, nor did she train her replacement to do them. Assets will be added, at a minimum, on a monthly basis in the future.

2015-004. Adjusting Entries

Statement of Finding (Condition): We noted that several entries were not made before the annual financial report was completed. No accounts receivable or prepaid expenses were entered at fiscal year-end. The scholarship accounts had not been reconciled to amounts recorded in MUNIS. The entry to close-out Fund 2 projects was made to only one revenue account instead of recording the correct amount as federal, state and local funds. Amounts overspent in projects were also not moved from Fund 2 to Fund 1.

II. FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)

Material Weaknesses in Internal Control (Continued)

2015-004. Adjusting Entries (Continued)

Criteria: The closing process for the year includes certain entries that should be made to record certain items on the accrual basis.

Context: Adjustments that were material in nature had to be made after the annual financial report was completed.

Cause and Effect: There was a high turnover in key personnel and proper training in the close out process did not take place, causing entries to be omitted.

Recommendation: With training, the new employees in key accounting positions will know what entries should be made prior to submission of the annual financial report.

Management's Response: In the Finance Officer's previous experience, the auditors always wanted to see any accounts receivable before it was entered. We will meet with the auditors prior to beginning next year's audit and confirm how they wish to receive our information. Research will be done on the proper way to record prepaid insurance and will be completed correctly in the future. We are aware that there are issues with Fund 2. It will be a time consuming fix, but we will strive to correct what was done in the past. Going forward, grants will be closely monitored. Scholarship accounts will be balanced monthly along with the main bank accounts.

III. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

Significant Deficiency in Internal Control over a Major Federal Award Program

2015-005. Payroll Processing
U.S. Department of Education; Title I Grants to Local Educational Agencies - CFDA 84.010; Passed through the Kentucky Department of Education

Statement of Finding (Condition): When reviewing a sample of payroll transactions, we noted that some of the salary amounts being paid did not have all of the documentation in the personnel file to support the amount.

Criteria: 702 KAR 3:070 Section 2. (1) states that "A local board of education shall validate all experience of professional personnel employed in the school district". Section 2. (2) goes on to state that "The validation of experience shall be on file in the office of the superintendent".

Context: Out of 60 payroll transactions tested, we noted 11 that did not have proper documentation to support the amount being paid. Five were certified employees whose personnel files did not contain documentation for all experience to support the amount paid based on the salary schedule. Two were classified employees who were paid at a rate on a different salary schedule than the schedule that should have been used based on the documentation in the files. One person was paid at a part-time rate, while working full-time hours. Another was paid $1 more than the salary schedule indicated based on experience. The personnel files for two classified employees did not have a contract.

III. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

Significant Deficiency in Internal Control over Major Federal Award Programs

2015-005. Payroll Processing (Continued)

Cause and Effect: Although proper controls have been in place, they have not been fully implemented. A person independent of payroll preparation had been given the duty of examining all files for proper documentation, when items were missing from the file, no follow-up was done. This can have the effect of an employee being paid an amount that is different than what should be paid based on the salary schedule. Because there are more salaries eligible to be funded under this grant than the budget allows, the effect on the major federal award program is less material than the effect on the overall financial statements.

Questioned Costs: We did not note any differences in payroll that was charged to this program; therefore, we did not note any questioned costs.

Recommendation: We recommend that controls be reviewed in this area and a person be assigned the duty of making sure that all documents are on hand before that employee receives the first paycheck.

Management's Response: We have new procedures in place to verify that an employee folder is complete. We started with new employees and will be updating older files as we go. We have also reviewed pay records and confirmed that they match our salary schedule. Contracts will match the salary schedule.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2015

I. FINDINGS – FINANCIAL STATEMENT AUDIT

There were no findings in the prior year that were required to be reported in this section.

II. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no findings in the prior year that were required to be reported in this section.

MANAGEMENT LETTER POINTS

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and Members of the Board of Education of
Mayfield Independent School District
Mayfield, Kentucky

I have audited the financial statements of the Mayfield Independent School District for the year ended June 30, 2015, and have issued my report thereon dated November 12, 2015. In planning and performing my audit of the financial statements of Mayfield Independent School District, I considered the District's internal control to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control.

However, during my audit, I became aware of several matters that are opportunities for strengthening internal controls or operating efficiency. These comments and recommendations have been discussed with the appropriate members of management and are intended to help the District comply with applicable laws and regulations, improve the internal control, or result in other operational efficiencies. These comments are summarized on the following pages.

This report is intended solely for the Board, management, and others within the organization as deemed appropriate.

Respectfully,

Benton, Kentucky
November 12, 2015

MAYFIELD INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
June 30, 2015

UNCORRECTED PRIOR YEAR COMMENTS

Credit Card and Travel Related Disbursements:
In a random sample of disbursements in the prior year, we noted that for some travel related disbursements that were charged on credit cards, no detailed receipts were retained with the charge card statement and purchase orders were not being used to indicate who was approved to travel. The travel voucher has a signature line to indicate prior approval for the travel, but was often not completed. As noted in the current year Schedule of Findings and Questioned Costs, expenses for travel were often not properly documented.

Purchasing Procedures:
In a random sample of disbursements in the prior year, we noted that disbursements were often not supported by purchase orders, particularly for maintenance items. As noted in the current year Schedule of Findings and Questioned Costs, we noted purchase orders are again not being used for the majority of items tested.

CORRECTED PRIOR YEAR COMMENTS

Central Office

Credit Card and Travel Related Disbursements:
In a random sample of disbursements in the prior year, we noted amounts for meals in excess of per diem rates. The travel policy was amended at the end of the prior fiscal year and we did not note any excess meal reimbursements in the current year.

School Activity Funds – Mayfield Elementary School

Purchasing Procedures:
Based on a random sample of disbursements in the prior year audit, we noted some instances of purchase orders not being completed until after the invoice was received. We also noted one credit card statement that did not have detailed charge receipts included. During the current year, we noted that purchase orders appeared to be prepared and approved prior to the purchase being made and detailed receipts with charge card statements.

School Activity Funds – Mayfield Middle School

Cash Receipts Procedures:
In a random sample of cash receipt tickets in the prior year, we noted that the accounting for concessions and ticket sales were often not supported by sufficient documentation. Multiple receipt forms were sometimes not signed, one deposit was not timely, and one was short due to the teacher holding funds overnight and having them stolen. In the current year, we noted proper documentation for cash receipts, timely deposits, and no missing funds.

Purchasing Procedures:
In the prior year, we noted two individuals who were paid without a form W-9 on file. We also noted purchase orders that were not signed or dated or were missing. In the current year, we noted proper documentation for cash disbursements in our tests.

CORRECTED PRIOR YEAR COMMENTS (Continued)

School Activity Funds – Mayfield High School

Cash Receipts Procedures:
In the prior year test of cash receipts, we noted that amounts on multiple receipt forms did not match the amount deposited and that the deposits for a fundraiser was less than the cost of the fundraiser due to funds being stolen after leaving them in the teacher's room overnight. In the current year, we noted that amounts deposited agreed with supporting documentation.

Purchasing Procedures:
In the prior year test of cash disbursements, we noted purchase orders that were not dated at all or were dated after the invoice date. In the current year, purchase orders were properly prepared.

CURRENT YEAR COMMENTS

Central Office

Control over Assets:
When searching through a file of voided checks, we noted blank checks that had no void markings on them. Blank checks should be kept in a locked cabinet so that only the person authorized to print checks has access to them.

Management's Response:
All void checks will be clearly marked as such. The District has switched to blank check stock - all check details, including routing and account numbers, now print when checks are run.

School Activity Funds – Mayfield High School

Athletic Ticket Sales:
When reviewing forms for ticket sales, we noted one baseball game for which there was $130 deposited, which was noted as being $116 from concessions and only $14 from ticket sales (although the sheet only indicated 2 tickets sold for a total of $8). When we asked how this was possible, it was explained that there are problems with people being able to get in without paying.

Management's Response:
The coach had assigned one person to sign up workers for the gate. The baseball field is wide open and very difficult to manage with no central entrance. Administration will assign gate workers in the future.