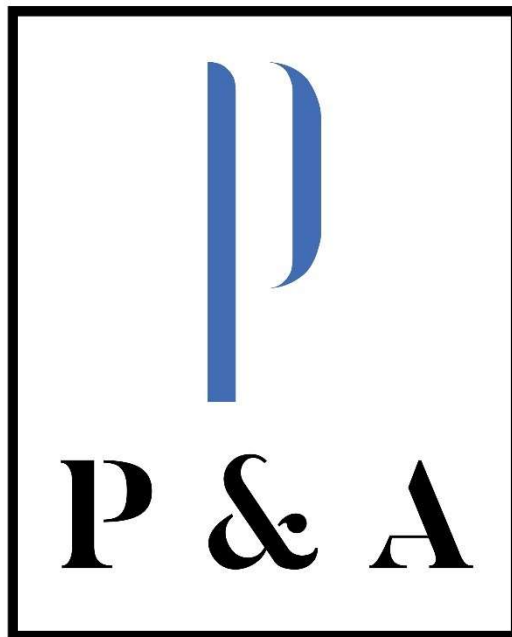


**MADISON COUNTY BOARD OF EDUCATION
AUDITED FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2022**



PATRICK & ASSOCIATES, LLC

124 Candlewood Drive
Winchester, KY 40391

Table of Contents

Independent Auditor’s Report1

Management Discussion and Analysis4

Financial Statements.....11

Statement of Net Position12

Statement of Activities.....13

Balance Sheet14

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position15

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds16

**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Statement of Activities17**

Budget and Actual General Fund18

Budget and Actual Special Revenue Fund.....19

Statement of Net Position - Proprietary Fund20

Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund21

Statement of Cash Flows - Proprietary Fund22

Notes to the Financial Statements23

Schedule of the District’s Proportionate Share of Net Pension Liability – TRS and CERS.....55

Schedule of Contributions CERS and TRS - Pension56

Notes to Required Supplementary Information – Pension57

Schedule of the District’s Proportionate Share of the Net OPEB Liability Medical & Life Insurance Plans - TRS – OPEB 58

Schedule of the Contributions - TRS – OPEB59

Schedule of District’s Proportionate Share of the Net OPEB Liability – CERS.....60

Schedule of Contributions OPEB Liability – CERS61

Notes to Required Supplementary Information – OPEB.....62

Combining Balance Sheet – Non-Major Governmental Funds63

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds..64

Student Activity Funds - Combining Schedule of Assets, Cash Receipts and Disbursements, and Liabilities65

Schedule of Expenditures of Federal Awards.....69

Notes to the Schedule of Expenditures of Federal Awards.....71

**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 Standards72**

**Independent Auditor’s Report On Compliance for Each Major Program And On Internal Control Over Compliance
Required by the Uniform Guidance.....74**

Schedule of Findings and Questioned Costs76



PATRICK & ASSOCIATES, LLC

124 Candlewood Drive
Winchester, KY 40391

Independent Auditor's Report

Kentucky State Committee for School District Audits
Board of Education of the Madison County School District
Richmond, KY

Report on the Audit of the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Madison School District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Madison County School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Madison County School District, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract, including Appendix II Instructions for Submissions of the Audit Report*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Madison County School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 1, the Madison County School District implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Madison County School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Madison County School District's internal control. Accordingly, no such opinion is express.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant account estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Madison County School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4-10 and pension and OPEB information on pages 55-62 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Madison County School District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements, the school activity fund statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the audit procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the school activity fund statements and the

schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report date November 10, 2022, on our consideration of the Madison County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Madison County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Madison County School District's internal control over financial reporting and compliance.

Jammy R. Patrick, CPA

Patrick & Associates, LLC

Winchester, KY

November 10, 2022

Management Discussion and Analysis

As management of the Madison County Board of Education (MCBOE), 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, 2022.

Financial Highlights

- In the government-wide statements, the assets and deferred outflows of the District exceeded the liabilities and deferred inflows on June 30, 2022 by \$106,071,060. Of this amount, \$109,591,620 represents the District's investment in capital assets net of related debt, \$19,039,356 is restricted, \$1,011,344 is related to the business-type activities and the remainder is an unrestricted net deficit of \$21,548,572.
- The District's ending net position increased by \$19,430,801, primarily due to increased investment in net capital assets, increasing the contingency balance, and net changes in the net pension liability.
- The District's governmental funds report a combined ending fund balance of \$55,074,246, a decrease of \$9,645,884. This is primarily due to construction projects nearing completion and funds being paid out on the projects. Approximately 31 percent of this total amount, \$17,262,909, is restricted for facility needs, approximately 48 percent, \$26,483,800, is committed to the individual schools' operation cost, 4 percent, \$2,227,537, is assigned for approved purchases not paid before year-end, approximately 13 percent is committed for future construction projects, and approximately 16.5 percent, \$9,100,000, is available for the District's operating needs.
- The Food Service department operated under the National School Lunch Reimbursement program for Fiscal Year 2022. In addition, the Food Service department continued to feed all students of the district under the CEP program, which includes breakfast and dinners as well. Revenues were back to normal levels under these reimbursement programs versus FY 2021 levels under the Seamless Summer Program.
- The district held one bond sale during the year. The bond was sold to fund the renovation project on Clark Moores Middle School. As part of the process, the district went through the process to obtain a credit rating from Moody's Investors Services. The MCBOE received a favorable rating of Aa2 because of its financial strength. This allowed the district to secure a more favorable rate on the bond sale.
- Construction of the Ignite Academy – North, located in Richmond, began in Fiscal Year 2021. The project was funded by a bond sale, capital funds, and the general fund. The project was considered approximately 90% complete at year end.
- Construction of the Ignite Academy -South, located in Berea, began in Fiscal Year 2021. The project was funded by a bond sale, capital funds, and the general fund. The project was considered approximately 87% complete at year end.
- Renovation of Clark Moores Middle School, located in Richmond, began in Fiscal Year 2022. The project was funded by a bond sale, general fund cash, and residual bond funds saved on completed projects. The project was considered approximately 70% complete at year end.

Overview of the Financial Statements

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

Management Discussion and Analysis (continued)

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 like a private-sector business.

The Statement of Net Position presents information on all of the assets and deferred outflows of resources and liabilities and deferred inflows of resources of the District at year-end with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the net position of the District 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 for items that will only result in cash flows in future fiscal periods.

In both statements, the District's activities are shown in one category as governmental activities. The governmental activities of the District include services related to K-12 education. These activities are primarily supported through property taxes, Support Education Excellence in Kentucky (SEEK) funding, and other intergovernmental revenues.

The government-wide financial statements begin on page 12 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. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the District can be divided into three categories: governmental funds, proprietary fund, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decision. The Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains eight individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Special Revenue Fund, District Activity Fund, Student Activity Fund, Capital Outlay Fund, Facilities Support Program of Kentucky (FSPK) Fund, Construction Fund and the Debt Service Fund.

Proprietary fund. The District maintains one type of proprietary fund. The enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses the enterprise fund to account for its operations for food services.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 20-22 of this report.

Management Discussion and Analysis (continued)

Notes to the basic financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements start on page 23 of this report.

Other information

In addition to the basic financial statements and the accompanying notes, this report also presents certain required supplementary information. This information starts on page 55 of this report.

The District adopts an annual appropriated budget for each of its governmental funds. A budgetary comparison statement has been provided for the general and special revenue fund.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the MCBOE, assets and deferred outflows exceeded liabilities and deferred inflows by \$104,317,192 for governmental activities and \$1,753,868 for business-type activities at the close of the most recent fiscal year. As noted earlier, the district experienced normalized revenues from Business-type Activities which directly impacted the decrease in current assets and net position, as compared to the prior year, due to programmatic changes as we recovered from the pandemic.

Management Discussion and Analysis (continued)

Madison County Board of Education Comparative Statement of Net Position

	Governmental Activities		Business-type Activities	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Assets				
Current and other assets	\$ 59,050,494	\$ 68,459,493	\$ 5,951,209	\$ 8,066,835
Net capital assets	215,091,408	191,766,021	2,765,212	1,349,588
Total assets	<u>274,141,902</u>	<u>260,225,514</u>	<u>8,716,421</u>	<u>9,416,423</u>
Deferred Outflows of Resources				
Deferred pension differences and contributions made after measurement date	16,435,401	14,599,373	1,750,907	1,824,098
Deferred saving from refunding bonds	1,499,392	1,786,390	-	-
Total deferred outflows of resources	<u>17,934,793</u>	<u>16,385,763</u>	<u>1,750,907</u>	<u>1,824,098</u>
Total assets and deferred outflows of resources	<u>292,076,695</u>	<u>276,611,277</u>	<u>10,467,328</u>	<u>11,240,521</u>
Liabilities				
Current liabilities	14,086,586	13,413,877	81,645	33,371
Non-current liabilities:				
Debt service due in more than one year	99,549,189	102,745,392	-	-
Net pension liability	27,825,811	35,650,083	5,141,904	5,791,400
Other post-employment benefits liability	24,158,271	30,039,695	1,543,593	1,822,816
Total liabilities	<u>165,619,857</u>	<u>181,849,047</u>	<u>6,767,142</u>	<u>7,647,587</u>
Deferred Inflows of Resources				
Deferred inflows of resources - pensions	5,931,076	672,254	1,095,998	109,208
Deferred inflows of resources - OPEB	16,208,570	10,568,430	850,320	354,051
Total deferred inflows of resources	<u>22,139,646</u>	<u>11,240,684</u>	<u>1,946,318</u>	<u>463,259</u>
Total liabilities and deferred inflows of resources	<u>187,759,503</u>	<u>193,089,731</u>	<u>8,713,460</u>	<u>8,110,846</u>
Net position				
Net Investment in Capital Assets	106,826,408	80,946,021	2,765,212	1,349,588
Restricted	19,039,356	33,972,248	(1,011,344)	1,780,087
Unrestricted	(21,548,572)	(36,856,986)	-	-
Total net position	<u>\$ 104,317,192</u>	<u>\$ 78,061,283</u>	<u>\$ 1,753,868</u>	<u>\$ 3,129,675</u>

A significant portion of the MCBOE's net position reflects its net investment in capital assets (e.g., buildings, vehicles, and equipment.) The MCBOE used the capital assets to provide services to students; consequently, these assets are not available for future spending. Although the MCBOE'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.

There were increases in the deferred outflows of resources by \$1,475,839, a decrease in the net pension liability by \$8,473,768, a decrease in the other post-employment benefit liability of \$6,160,647 and an increase of \$12,382,021 reported in deferred inflows. These changes are from the calculation of the pension liability for the District's proportionate share of the pension and other post-employment benefit liabilities.

Changes in net position. MCBOE's net position increased by \$19,430,801 from the prior fiscal year.

Management Discussion and Analysis (continued)

Madison County Board of Education Comparative Statement of Activities

The fluctuation in expenses is due to the District's share of pension and other post-employment pension liability.

Revenues	June 30, 2022	June 30, 2021	Increase (Decrease)
Program revenues			
Charges for services	\$ 1,816,082	\$ 893,953	\$ 922,129
Operating grants and contributions	64,350,128	55,448,451	8,901,677
Capital grants and contributions	926,447	801,700	124,747
General revenues			
Property taxes	35,698,706	33,747,224	1,951,482
Motor vehicle taxes	4,479,116	4,207,917	271,199
Franchise taxes	1,430,932	1,702,880	(271,948)
Utility taxes	5,697,341	5,127,586	569,755
State and federal grants	39,700,333	44,767,975	(5,067,642)
Other local revenue	1,012,463	822,045	190,418
Unrestricted investment earnings	130,432	58,684	71,748
Gain on disposal of asset	29,807	52	29,755
Extraordinary item - insurance reimbursement	84,207	-	84,207
Total revenues	<u>155,355,994</u>	<u>147,578,467</u>	<u>7,777,527</u>
Expenses			
Instruction	64,578,341	70,460,401	(5,882,060)
Support services	24,116,578	23,034,524	1,082,054
Plant operations and maintenance	9,505,374	8,618,747	886,627
Student transportation	8,216,039	8,639,633	(423,594)
Community Services Operations	1,112,513	996,787	115,726
Land/site acquisitions	1,709,935	-	1,709,935
Site improvements	2,000	-	2,000
Building acquisitions/construction	6,281,342	7,584,853	(1,303,511)
Building improvements	-	-	-
Other non-instructional services	12,815	9,452	3,363
Debt Service	3,146,531	2,850,136	296,395
Depreciation	6,798,682	-	6,798,682
Food service operations	10,445,043	8,485,740	1,959,303
Total Expenses	<u>135,925,193</u>	<u>130,680,273</u>	<u>5,244,920</u>
Change in net position	19,430,801	16,898,194	2,532,607
Net position - beginning	86,640,259	69,753,027	16,887,232
Net position - ending	<u>\$ 106,071,060</u>	<u>\$ 86,651,221</u>	<u>\$ 19,419,839</u>

Total revenues increased by \$7,777,527 and total expenses increased by \$5,244,920. The main increase in revenues and expenditures is due to increases in grant funds received and expended. The primary source for this was from federal funds appropriated through the CARES Act and the ARP Act in response to the COVID pandemic.

As noted earlier, the MCBOE used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the MCBOE's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the MCBOE's financial requirements. In particular, unassigned fund balance may serve as a useful measure of the MCBOE's net resources available for spending at the end of the fiscal year.

Management Discussion and Analysis (continued)

Governmental Activities

The majority of revenue was derived from local taxes making up 33% of the total revenue, from federal and state funding making up 65%, and the remaining 2% being derived mainly from other local revenues and unrestricted investment earnings. Instruction makes up 48% of total Governmental Fund Expenditures. The other major Governmental Fund Expenditures are: Support Services 15%, Plant Operations & Maintenance 6%, Student Transportation 5%, Community Services Operations 1%, Land/Site Acquisitions 1%, Building Acquisition and Construction 12%, Building Improvements 5% and Debt Service 7%. Overall Governmental Fund Type net position increased by \$20,795,646 which can be attributed to increased federal funding, bond proceeds for construction projects, and local revenue sources.

Business-Type Activities

The business-type activities are for food service. This program had revenue of \$9,751,463 and expenses of \$10,500,904 for the fiscal year 2022. Of the revenues, \$325,818 is related to charges for services, \$9,416,339 was from State & Federal Grants, and \$9,306 was from other local resources and investment earnings. Business activities received no support from tax revenues. The District will continue to monitor the charges and costs of these activities. Overall Business-Type Activities net position decreased by \$1,364,845 which can mainly be attributed to its proportional share of pension and other post-employment benefit liabilities. In addition, the district is required by the Kentucky Department of Education to spend down prior year increases to a level equal to 3 months of expenditures. The district began this process during fiscal year 2022.

General Fund Budget Highlights

The District's budget is prepared according to Kentucky law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. The State Department of Education requires a zero-based budget with any budgeted remaining fund balance shown as a contingency expense in the budget process. In addition, all school districts are required by law to maintain a minimum contingency of 2% in their budget and actual funds.

A variance comparison is presented between the final budgeted amounts and the actual amounts. Revenues for the General Fund were budgeted at \$117,086,859 with actual amounts being \$137,011,300. Budgeted expenditures were \$117,086,859 with actual amounts being \$100,829,043.

Capital Assets

At the end of the fiscal year 2022, the District had \$217,856,620 invested in capital assets, \$215,091,408 is in government activities. For the fiscal year capital asset increases totaled \$31,580,465, retirements totaled \$1,231,151 and depreciation expense totaled \$6,798,682. At June 30, 2021, the district had \$193,115,609 invested in capital assets, \$191,766,021 was in governmental activities. See the detailed table in the notes to the financial statements.

Debt Service

At June 30, 2022, the District had \$108,265,000 in bonds outstanding, of this amount \$8,991,776 is to be paid from the KSFCC funding provided by the State of Kentucky. A total of \$9,120,000 is due within one year. At June 30, 2021, the District had \$110,820,000 in bonds outstanding. This represents a decrease of \$2,555,000. See the detailed table in the notes to the financial statements.

Management Discussion and Analysis (continued)

Financial Highlights

- The general fund received \$104,186,507 in revenues, which primarily consisted of funding from the State's Support Education Excellence in Kentucky (SEEK) program and revenues from taxes, which include property, motor vehicle and utilities taxes.
- General fund SEEK revenue for the year totaled \$39,700,333 compared to \$37,303,652 in the prior year. This appears to be a \$2,396,681 increase from the previous years' funding. However, KDE reduced each district's state SEEK funding during FY 2021 and provided an offsetting amount through federal CARES money. MCBOE's portion attributed to this was \$2,236,009. The district's actual increase was only \$160,672. Overall, the district's SEEK funding has decreased \$1,356,376 since FY 2020.
- The District levied tax rates of 62.8 cents for real estate, 63.8 cents tangible, and 55.8 cents motor vehicle per \$100 in assessed value and 3% for utility tax.
- The MCBOE's general fund was 47.78% locally funded, 51.31% state funded (less on-behalf), and 0.8% federally funded for FY22. During the prior year the percentages were 47.81%, 50.54%, & 1.65% respectively. As a growing district this will continue to be the trend in future years creating a shift to more local funding versus state provided funding.
- General Fund dollars were required to supplement transportation expenses unfunded by the state. The state funded 53.89% (\$3.42 million) of the district's calculated per pupil transportation allotment (\$6.35 million) for Fiscal Year 2022. The district's actual transportation expenditures were 46.3% state funded. The district supplements the remaining 53.7% with locally generated revenue.

Request for Information

This financial report is designed to provide a general overview of the Madison County Board of Education's finances. Questions concerning any of the information provided in the report or requests for additional financial information should be addressed to the District's Finance Officer at PO Box 768, Richmond, KY 40475.

Financial Statements

MADISON COUNTY BOARD OF EDUCATION
Statement of Net Position
June 30, 2022

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 53,853,440	\$ 4,522,289	\$ 58,375,729
Receivables			
Taxes - current	1,629,879	-	1,629,879
Accounts	27,535	9,933	37,468
Intergovernmental - state	81,502	956,991	1,038,493
Intergovernmental - federal	3,458,138	-	3,458,138
Inventory	-	461,996	461,996
Total capital assets, net of depreciation	<u>215,091,408</u>	<u>2,765,212</u>	<u>217,856,620</u>
Total assets	<u>274,141,902</u>	<u>8,716,421</u>	<u>282,858,323</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pensions	4,693,205	867,253	5,560,458
Deferred outflows - OPEB contributions	11,742,196	883,654	12,625,850
Deferred saving from refunding bonds	1,499,392	-	1,499,392
Total deferred outflows of resources	<u>17,934,793</u>	<u>1,750,907</u>	<u>19,685,700</u>
Total assets and deferred outflows of resources	<u>292,076,695</u>	<u>10,467,328</u>	<u>302,544,023</u>
LIABILITIES			
Accounts payable and accrued expenses	3,359,739	81,645	3,441,384
Accrued interest payable	740,338	-	740,338
Unearned revenue	616,509	-	616,509
Long term liabilities:			
Due within one year			
Bond obligations	9,120,000	-	9,120,000
Sick leave	250,000	-	250,000
Due beyond one year			
Bond obligations	99,145,000	-	99,145,000
Sick leave	404,189	-	404,189
Net pension liability	27,825,811	5,141,904	32,967,715
Net OPEB liability	24,158,271	1,543,593	25,701,864
Total liabilities	<u>165,619,857</u>	<u>6,767,142</u>	<u>172,386,999</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pension	5,931,076	1,095,998	7,027,074
Deferred inflows of resources - OPEB	16,208,570	850,320	17,058,890
Total deferred inflows of resources	<u>22,139,646</u>	<u>1,946,318</u>	<u>24,085,964</u>
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	<u>187,759,503</u>	<u>8,713,460</u>	<u>196,472,963</u>
NET POSITION			
Net Investment in Capital Assets - net of related debt	106,826,408	2,765,212	109,591,620
Restricted for:			
Capital projects	19,039,356	-	19,039,356
Other	-	(1,011,344)	(1,011,344)
Unrestricted	(21,548,572)	-	(21,548,572)
Total net position	<u>\$ 104,317,192</u>	<u>\$ 1,753,868</u>	<u>\$ 106,071,060</u>

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

MADISON COUNTY SCHOOL DISTRICT
Statement of Activities
Year Ended June 30, 2022

Functions/Programs	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	Expenses	Operating		Capital Grants	PRIMARY GOVERNMENT		
		Charges for Services	Grants and Contributions	and Contributions	Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT:							
Governmental activities:							
Instructional	\$ 64,578,341	\$ 22,288	\$ 39,514,395	\$ -	\$ (25,041,658)	\$ -	\$ (25,041,658)
Support Services							
Student	8,126,738	1,467,976	3,211,202	-	(3,447,560)	-	(3,447,560)
Instructional Staff	6,741,569	-	2,507,650	-	(4,233,919)	-	(4,233,919)
District Administration	2,065,301	-	766,659	-	(1,298,642)	-	(1,298,642)
School Administration	5,164,629	-	1,917,158	-	(3,247,471)	-	(3,247,471)
Business	2,018,341	-	749,227	-	(1,269,114)	-	(1,269,114)
Plant operations and maintenance	9,505,374	-	2,998,258	-	(6,507,116)	-	(6,507,116)
Student Transportation	8,216,039	-	3,269,240	-	(4,946,799)	-	(4,946,799)
Community Services Operations	1,112,513	-	-	-	(1,112,513)	-	(1,112,513)
Land/site acquisitions	1,709,935	-	-	-	(1,709,935)	-	(1,709,935)
Site improvements	2,000	-	-	-	(2,000)	-	(2,000)
Building acquisitions/construction	6,281,342	-	-	-	(6,281,342)	-	(6,281,342)
Other non-instructional services	12,815	-	-	-	(12,815)	-	(12,815)
Debt Service	3,146,531	-	-	926,447	(2,220,084)	-	(2,220,084)
Depreciation	6,542,748	-	-	-	(6,542,748)	-	(6,542,748)
Total governmental activities	<u>125,224,216</u>	<u>1,490,264</u>	<u>54,933,789</u>	<u>926,447</u>	<u>(67,873,716)</u>	<u>-</u>	<u>(67,873,716)</u>
Business-type activities:							
Food service operations	10,445,043	325,818	9,416,339	-	-	(702,886)	(702,886)
Depreciation	255,934	-	-	-	-	(255,934)	(255,934)
Total business-type activities	<u>10,700,977</u>	<u>325,818</u>	<u>9,416,339</u>	<u>-</u>	<u>-</u>	<u>(958,820)</u>	<u>(958,820)</u>
Total primary government	<u>\$ 135,925,193</u>	<u>\$ 1,816,082</u>	<u>\$ 64,350,128</u>	<u>\$ 926,447</u>	<u>\$ (67,873,716)</u>	<u>\$ (958,820)</u>	<u>\$ (68,832,536)</u>
General revenues							
Taxes:							
Property taxes					\$ 35,698,706	\$ -	\$ 35,698,706
Motor vehicle taxes					4,479,116	-	4,479,116
Franchise taxes					1,430,932	-	1,430,932
Utility taxes					5,697,341	-	5,697,341
State formula grants					39,700,333	-	39,700,333
Other local revenue					1,011,933	530	1,012,463
Unrestricted investment earnings					121,656	8,776	130,432
Gain on disposal of asset					29,807	-	29,807
Extraordinary item - insurance reimbursement					84,207	-	84,207
Operating transfers in (out)					415,331	(415,331)	-
Total general revenues and transfers					<u>88,669,362</u>	<u>(406,025)</u>	<u>88,263,337</u>
Change in net position					20,795,646	(1,364,845)	19,430,801
Net position - beginning (restated)					83,521,546	3,118,713	86,640,259
Net position - ending					<u>\$ 104,317,192</u>	<u>\$ 1,753,868</u>	<u>\$ 106,071,060</u>

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

MADISON COUNTY SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2022

	General Fund	Special Revenue Fund	Construction Fund	Total Non-Major Funds	Total
ASSETS					
Cash and cash equivalents	\$ 33,170,456	\$ -	\$ 14,421,887	\$ 6,261,097	\$ 53,853,440
Interfund receivables	2,205,917	-	-	-	2,205,917
Receivables					
Taxes-current	1,629,879	-	-	-	1,629,879
Accounts	25,433	859	-	1,243	27,535
Intergovernmental - state	23,750	57,752	-	-	81,502
Intergovernmental - federal	222,154	3,235,984	-	-	3,458,138
Total assets	<u>37,277,589</u>	<u>3,294,595</u>	<u>14,421,887</u>	<u>6,262,340</u>	<u>61,256,411</u>
LIABILITIES					
Accounts payable	1,095,332	128,266	2,120,350	15,791	3,359,739
Interfund payable	-	2,205,917	-	-	2,205,917
Unearned revenue	-	616,509	-	-	616,509
Total liabilities	<u>1,095,332</u>	<u>2,950,692</u>	<u>2,120,350</u>	<u>15,791</u>	<u>6,182,165</u>
FUND BALANCE					
Restricted	-	343,903	12,301,537	4,617,469	17,262,909
Committed	24,859,119	-	-	1,624,681	26,483,800
Assigned	2,223,138	-	-	4,399	2,227,537
Unassigned	9,100,000	-	-	-	9,100,000
Total fund balance	<u>36,182,257</u>	<u>343,903</u>	<u>12,301,537</u>	<u>6,246,549</u>	<u>55,074,246</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 37,277,589</u>	<u>\$ 3,294,595</u>	<u>\$ 14,421,887</u>	<u>\$ 6,262,340</u>	<u>\$ 61,256,411</u>

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

MADISON COUNTY SCHOOL DISTRICT
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2022

Total Fund Balances - Governmental Funds	\$ 55,074,246
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets are not reported in the fund financial statement because they are not current financial resources, but they are reported in the statement of net position	215,091,408
Deferred outflows of resources are not recorded in the governmental fund financials because they do not affect current resources but are recorded in the statement of net position.	
Pension contributions deferred outflows	4,693,205
OPEB contributions deferred outflows	11,742,196
Certain assets (obligations) are not a use of financial resources and therefore, are not reported in the government funds, but are presented in the statement of net position	
Net pension liability	(27,825,811)
Net OPEB liability	(24,158,271)
Deferred inflows of resources are not recorded in the governmental fund financials because they do not affect current resources but are recorded in the statement of net position	
Pension plan deferred inflows	(5,931,076)
OPEB plan deferred inflows	(16,208,570)
Certain liability (such as bond payable, the long-term portion of accrued sick leave, and other accrued liabilities) are not reported in the fund financial statement because they are not due and payable, but are presented in the statement of net position as follows:	
Bonds payable	(108,265,000)
Accrued interest	(740,338)
Accrued sick leave	(654,189)
Deferred loss on refunding	1,499,392
	1,499,392
Net position of governmental activities	\$ 104,317,192

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

MADISON COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2022

	General Fund	Special Revenue Fund	Construction Fund	Non-Major Funds	Total Governmental Funds
Revenues					
From Local Sources					
Taxes					
Property	\$ 25,925,892	\$ -	\$ -	\$ 9,772,814	\$ 35,698,706
Motor vehicle	4,479,116	-	-	-	4,479,116
Franchise	1,064,751	-	-	366,181	1,430,932
Utilities	5,697,341	-	-	-	5,697,341
Earnings on investments	80,684	602	32,514	7,856	121,656
Student activities	-	-	-	1,467,976	1,467,976
Other local revenue	150,170	289,272	-	572,491	1,011,933
Intergovernmental - state	65,930,910	4,659,248	-	4,945,712	75,535,870
Intergovernmental - federal	857,643	19,189,344	-	-	20,046,987
Total revenues	<u>104,186,507</u>	<u>24,138,466</u>	<u>32,514</u>	<u>17,133,030</u>	<u>145,490,517</u>
EXPENDITURES					
Instruction	58,950,564	16,709,004	-	1,724,600	77,384,168
Support services					
Student	6,484,636	2,159,332	-	6,685	8,650,653
Instructional staff	4,531,116	2,084,457	-	139,784	6,755,357
District Administration	1,913,216	-	-	152,085	2,065,301
School Administration	5,164,629	-	-	-	5,164,629
Business	1,998,341	20,000	-	-	2,018,341
Plant operation and maintenance	9,792,483	143,796	-	1,256	9,937,535
Student Transportation	8,114,099	617,469	-	75,433	8,807,001
Community Services Operations	9,760	1,102,753	-	-	1,112,513
Land/Site Acquisitions	1,709,935	-	-	-	1,709,935
Site Improvement	2,000	-	-	-	2,000
Building acquisitions/construction	-	-	19,312,626	-	19,312,626
Building improvements	-	-	7,339,699	-	7,339,699
Other Non-Instructional Services	-	-	-	12,815	12,815
Debt service					
Principal	-	-	-	8,640,000	8,640,000
Interest	-	-	-	2,903,709	2,903,709
Total expenditures	<u>98,670,779</u>	<u>22,836,811</u>	<u>26,652,325</u>	<u>13,656,367</u>	<u>161,816,282</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	5,515,728	1,301,655	(26,619,811)	3,476,663	(16,325,765)
OTHER FINANCING SOURCES (USES)					
Bond proceeds	-	-	6,085,000	-	6,085,000
Bond premium	-	-	95,343	-	95,343
Loss Compensation	84,207	-	-	-	84,207
Operating transfers in	2,087,418	226,458	1,845,852	10,807,129	14,966,857
Operating transfers (out)	(2,158,264)	(1,684,134)	-	(10,709,128)	(14,551,526)
Total other financing sources and (uses)	<u>13,361</u>	<u>(1,457,676)</u>	<u>8,026,195</u>	<u>98,001</u>	<u>6,679,881</u>
NET CHANGE IN FUND BALANCE	5,529,089	(156,021)	(18,593,616)	3,574,664	(9,645,884)
FUND BALANCE - BEGINNING	30,653,168	499,924	30,895,153	2,671,885	64,720,130
FUND BALANCE - ENDING	<u>\$ 36,182,257</u>	<u>\$ 343,903</u>	<u>\$ 12,301,537</u>	<u>\$ 6,246,549</u>	<u>\$ 55,074,246</u>

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

MADISON COUNTY SCHOOL DISTRICT
 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
 and Changes in Fund Balances to the Statement of Activities
 For the Year Ended June 30, 2022

Net change in fund balances - total governmental funds	\$ (9,645,884)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation	
Capital outlays	29,897,942
Depreciation Expense	(6,542,748)
Gain on disposal of asset	29,807
Generally expenditures recognized in the fund financial statements are limited to only those that use current financial resources, but expense are recognized in the statement of activities when they are incurred for the following:	
Accrued interest	44,176
Amortization of advance refunding	(286,998)
Amortization of bond premium/discount	(3,026,678)
Interest on long-term debt	(3,146,531)
Governmental funds report CERS contributions as expenditures when paid. However, in the Statement of Activities, pension expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows of resources related to pension, and investment	
Pension Expense	1,067,653
OPEB Expense - CERS	189,659
OPEB Expense - TRS	9,821,451
Long-term debt proceeds are reported as other financing resources in funds, thereby increasing fund balances. In the statement of net position, however, issuing long-term debt increases liabilities and has no effect on net position. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.	
Bond proceeds	(6,085,000)
Debt principal repaid	8,640,000
Sick leave	(161,203)
Change in net position of governmental	\$ 20,795,646

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

MADISON COUNTY BOARD OF EDUCATION
Budget and Actual General Fund
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
From Local Sources				
Taxes				
Property	\$ 24,762,056	\$ 25,675,000	\$ 25,925,892	\$ 250,892
Motor vehicle	3,480,000	3,480,000	4,479,116	999,116
Franchise	1,380,000	1,380,000	1,064,751	(315,249)
Utilities	4,800,000	4,800,000	5,697,341	897,341
Earnings on investments	15,000	15,000	80,684	65,684
Other local revenue	12,000	12,000	150,170	138,170
Intergovernmental - state	65,915,266	66,291,117	65,930,910	(360,207)
Intergovernmental - federal	825,000	825,000	857,643	32,643
Total Revenues	<u>101,189,322</u>	<u>102,478,117</u>	<u>104,186,507</u>	<u>1,708,390</u>
EXPENDITURES				
Instruction	65,984,616	66,217,628	58,950,564	7,267,064
Support Services				
Student	7,555,151	7,585,151	6,484,636	1,100,515
Instructional Staff	4,566,485	4,566,485	4,531,116	35,369
District Administration	2,649,432	2,649,432	1,913,216	736,216
School Administration	5,147,434	5,147,434	5,164,629	(17,195)
Business	1,859,934	1,859,934	1,998,341	(138,407)
Plant Operation and Maintenance	9,556,432	9,556,432	9,792,483	(236,051)
Student Transportation	8,933,385	8,933,385	8,114,099	819,286
Community Services	21,299	21,299	9,760	11,539
Land/Site Acquisitions	-	-	1,709,935	(1,709,935)
Site Improvement	25,000	25,000	2,000	23,000
Contingency	8,722,476	9,100,000	-	9,100,000
Total expenditures	<u>115,021,644</u>	<u>115,662,180</u>	<u>98,670,779</u>	<u>16,991,401</u>
EXCESS (DEFICIENCY) IN REVENUES OVER EXPENDITURES	(13,832,322)	(13,184,063)	5,515,728	18,699,791
OTHER FINANCING SOURCES (USES)				
Loss Compensation	10,000	10,000	84,207	74,207
Operating transfers in	1,785,807	2,308,727	2,087,418	(221,309)
Operating transfers (out)	(253,500)	(1,424,679)	(2,158,264)	(733,585)
Total other financing sources and (uses)	<u>1,542,307</u>	<u>894,048</u>	<u>13,361</u>	<u>(880,687)</u>
NET CHANGE IN FUND BALANCE	(12,290,015)	(12,290,015)	5,529,089	17,819,104
FUND BALANCE - BEGINNING	<u>12,290,015</u>	<u>12,290,015</u>	<u>30,653,168</u>	<u>18,363,153</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,182,257</u>	<u>\$ 36,182,257</u>

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

MADISON COUNTY BOARD OF EDUCATION
Budget and Actual Special Revenue Fund
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
From Local Sources				
Earnings on investments	\$ -	\$ -	\$ 602	\$ 602
Other local revenue	87,931	245,370	289,272	43,902
Intergovernmental - state	3,826,983	4,399,787	4,659,248	259,461
Intergovernmental - federal	8,317,624	8,488,189	19,189,344	10,701,155
Total Revenues	<u>12,232,538</u>	<u>13,133,346</u>	<u>24,138,466</u>	<u>11,005,120</u>
EXPENDITURES				
Instruction	7,192,114	7,651,385	16,709,004	(9,057,619)
Support Services				-
Student	982,655	881,238	2,159,332	(1,278,094)
Instructional Staff	1,429,240	1,442,641	2,084,457	(641,816)
District Administration	6	6	-	6
Business	20,000	20,000	20,000	-
Plant Operation and Maintenance	12,563	150,755	143,796	6,959
Student Transportation	304,733	327,168	617,469	(290,301)
Community Services Operations	1,090,731	1,092,031	1,102,753	(10,722)
Total expenditures	<u>11,032,042</u>	<u>11,565,224</u>	<u>22,836,811</u>	<u>(11,271,587)</u>
EXCESS (DEFICIENCY) IN REVENUES OVER EXPENDITURES	1,200,496	1,568,122	1,301,655	(266,467)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	213,500	213,500	226,458	12,958
Operating transfers (out)	(1,413,996)	(1,832,185)	(1,684,134)	148,051
Total other financing sources and (uses)	<u>(1,200,496)</u>	<u>(1,618,685)</u>	<u>(1,457,676)</u>	<u>161,009</u>
NET CHANGE IN FUND BALANCE	-	(50,563)	(156,021)	(105,458)
FUND BALANCE - BEGINNING	-	-	499,924	499,924
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ (50,563)</u>	<u>\$ 343,903</u>	<u>\$ 394,466</u>

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

MADISON COUNTY BOARD OF EDUCATION
Statement of Net Position - Proprietary Fund
June 30, 2022

	Enterprise Fund
	School Food Services
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 4,522,289
Receivables	966,924
Inventories for consumption	461,996
Total current assets	5,951,209
Noncurrent Assets	
General equipment	6,757,553
Accumulated depreciation	(3,992,341)
Total noncurrent assets	2,765,212
Total Assets	8,716,421
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	867,253
Deferred outflows related to OPEB	883,654
Total deferred outflows of resources	1,750,907
LIABILITIES	
Current Liabilities	
Accounts payable	81,645
Total current liabilities	81,645
Noncurrent liabilities	
Net pension liability	5,141,904
Net OPEB liability	1,543,593
Total noncurrent liabilities	6,685,497
Total liabilities	6,767,142
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	1,095,998
Deferred inflows related to OPEB	850,320
Total deferred inflows of resources	1,946,318
NET POSITION	
Net Investment in capital assets	2,765,212
Restricted	(1,011,344)
Total net position	\$ 1,753,868

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

MADISON COUNTY BOARD OF EDUCATION
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund
For the Year Ended June 30, 2022

	Enterprise Fund
	School Food
	Services
OPERATING REVENUES	
Lunchroom sales	\$ 325,818
Total operating revenues	325,818
OPERATING EXPENSES	
Salaries & benefits	3,562,014
Purchased professional services	21,849
Purchased property services	177,440
Other purchased services	8,826
Supplies	4,618,246
Property	902,978
Dues, Fees, and miscellaneous	1,055
Depreciation	255,934
Total operating expenses	9,548,342
Operating income (loss)	(9,222,524)
NONOPERATING REVENUES (EXPENSES)	
Federal grants	8,155,355
Federal donated commodities	676,773
State grants	59,108
State on-behalf payments	525,103
State on-behalf payments	(525,103)
Pension expense	(475,778)
OPEB expense	(151,754)
Other local revenues	530
Earnings from investments	8,776
Total nonoperating revenues (expenses)	8,273,010
Income (loss) before operating transfers	(949,514)
Operating transfer out	(415,331)
Change in net position	(1,364,845)
NET POSITION - BEGINNING (Restated)	3,118,713
NET POSITION - ENDING	\$ 1,753,868

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

MADISON COUNTY BOARD OF EDUCATION
Statement of Cash Flows - Proprietary Fund
For the Year Ended June 30, 2022

	Enterprise Fund
	School Food
	Services
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 325,818
Payments to suppliers	(5,759,336)
Payments to employees	(4,714,649)
Net cash provided (used) by operating activities	(10,148,167)
CASH FLOWS FROM NONCAPITAL FINANCIAL ACTIVITIES	
Operating grants and contributions	9,367,630
Net cash provided (used) by noncapital financing activities	9,367,630
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchase of capital assets	(1,682,523)
Operating transfer to general fund	(415,331)
Net cash provided (used) by capital financing activities	(2,097,854)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest	8,776
Net cash provided (used) by investing activities	8,776
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,869,615)
CASH AND CASH EQUIVALENTS - BEGINNING	7,391,904
CASH AND CASH EQUIVALENTS - ENDING	\$ 4,522,289
Reconciliation of operating income (loss) to net cash provided (used)	
by operating activities:	
Operating income (loss)	(9,222,524)
Adjustments to reconcile operating income (loss) to net cash	
provided (used) by operating activities:	
Depreciation	255,934
Changes in assets and liabilities:	
Receivables	(821,679)
Inventory	67,690
Account Payables	48,274
Pension expense	(475,778)
OPEB expense	(151,754)
Federal donated commodities	676,773
On-behalf payments	(525,103)
Net cash provided (used) by operating activities	\$ (10,148,167)
Schedule of non-cash transactions	
Federal donated commodities	\$ 676,773
State on-behalf payments	\$ 525,103

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

MADISON COUNTY BOARD OF EDUCATION
Notes to the Financial Statements
Year Ended June 30, 2022

Note I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements presented for the Madison County Board of Education are prepared in accordance with accounting principles generally accepted in the United States of America applicable to governmental units, as prescribed by the Governmental Accounting Standards Board (GASB). The District's significant accounting and reporting policies are described below.

The Financial Reporting Entity

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

As required by GAAP, these financial statements present the primary government and its component unit, an entity for which the government is considered to be financially accountable. This component unit is reported on a blended basis. A blended component unit, although a legally separate entity, is, in substance, part of the government's operations and so data from this unit is combined with data of the primary government. Separate financial statements are not issued for this component unit.

The District's reporting entity includes the following blended component unit:

The Madison County Board of Education Finance Corporation was formed in accordance with the provisions of KRS Sections 162.120 through 162.300 and Section 162.385, and KRS Chapter 273 and KRS 58.180, as a non-profit, non-stock corporation for the purpose of financing necessary school building facilities on behalf of the Board of Education of the Madison County School District. Under the provisions of existing Kentucky laws, the Corporation is permitted to act as an agency and instrumentality of the District for financing purposes. The Board serves as the Governing Board of the Corporation and all accounting and administrative functions are performed by the District, which records all activity of the Corporation as a blended component unit.

Basis of presentation and accounting

Government-wide

The District's government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements report information about the reporting entity as a whole. Fiduciary activities of the District are not included in these statements. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through property taxes, intergovernmental revenue, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services rendered.

MADISON COUNTY BOARD OF EDUCATION
Notes to the Financial Statements
Year Ended June 30, 2022

Note I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Statement of Activities presents a comparison between direct expenses and program revenue for the business-type activities and for each function of the District’s governmental activities. Program revenues includes (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including property taxes and general state aid, are presented as general revenues.

These statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all the District’s assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period earned while expenses are recognized in the period the liability incurred.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regard to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total column. In the Statement of Activities, those transactions between governmental and business-type activities have not been eliminated.

Fund Financial Statements

The fund financial statements of the District are organized into funds, each of which is considered to be a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific district functions or activities. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures/expenses. Funds are organized into three categories: governmental, proprietary, and fiduciary. Major individual governmental funds and enterprise funds are reported as separate columns in the fund financial statements.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements.

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources are included in the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increase (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally collected 60 days after year-end) are recognized when due. The primary revenue sources which have been treated as susceptible to accrual by the District are taxes and intergovernmental revenues. Expenditures are recorded in the accounting period in which the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured.

MADISON COUNTY BOARD OF EDUCATION
Notes to the Financial Statements
Year Ended June 30, 2022

Note I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major Governmental Funds:

General Fund - accounts for the general operating costs for the District and provides supports services to other funds. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use.

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

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

Non-Major Governmental Funds

District Activity Fund - The District Activity Fund is a special revenue fund type and is used to account for funds collected at individual schools for operation costs of the schools or school district that allows for more flexibility in the expenditures of those funds.

Student Activity Fund - The Student Activity Fund is a special revenue fund type and is used to account for funds student activity that are legally restricted to expenditures for specified purposes imposed by external parties, enabling legislation, or by board action.

Capital Outlay Fund - The Support Education Excellence in Kentucky (SEEK) Fund receives those funds designated by the state as capital outlay funds and is generally restricted for use in financing projects identified in the district's facility plan (including payment of bonded lease obligations).

Facility Support Program (FSKP) Fund - The Facility Support Program of Kentucky (FSPK) accounts for and reports 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.

Debt Service Fund - 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 costs; and for the payment of interest on general obligation notes payable, as required by Kentucky Law.

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expense and Changes in Net position, and a Statement of Cash Flows. The District does not have an internal service fund.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities and deferred inflows of resources (whether current or noncurrent) are included in the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period earned while expenses are recognized in the period the liability is incurred.

Note I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Fund Financial Statements (Continued)

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Enterprise Fund

School Food Service Fund - is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA.

Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicate the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

Government-wide and fiduciary fund financial statement are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are “measurable and available”). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period (60 days). Expenditures are recorded when the liability is incurred, except for unmatured interest on long-term debt which is recognized when due, other post-employment benefits, claims and judgments and compensated absences, which are recognized when expended. Revenues susceptible to accrual are interest, state and local shared revenue and federal and state grants. Expenditure-driven grants are recognized as revenue when qualifying expenditures have been incurred and all other grant requirements have been met.

Budgetary information

The District’s budgetary process accounts for transactions on a modified accrual basis of accounting which is consistent with the accounting principles generally accepted in the United States of America. State law requires the district to formally and publicly examine anticipated receipts and expenditures for the next fiscal year by January 31 (draft budget), adopt a tentative working budget on or before May 30 for the next fiscal year and a final working budget must be submitted to the Kentucky Department of Education (KDE) by September 30 for the current year with a recommended reserve of at least two percent of total budgeted expenditures in the general and school food service funds. The Special Revenue Fund and the Construction fund are multi-year funds. A fund is multi-year when budgeted amounts in the that fund may be received and expended over a period extending beyond one fiscal year. A budget projection is created one time for a project (grant or a construction project) which is in the year of its inception. After a budget completion is processed on a project, that budget remains with the project over the lifetime of the project.

Note I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expenditure budgets are appropriated at the major function level for each fund. Appropriations may not legally be over-expended, except in the case of grant receipts which could not be reasonably estimated at the time the budget was adopted.

Estimates

The preparation of financial statement in conformity with accounting principles generally accepted in the United States requires management to make estimate and assumptions that affect the reported amounts of assets, deferred outflows, liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates.

Assets, deferred outflows, liabilities, deferred inflows, and net position/fund balance

Cash and cash equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and all highly liquid investments with a maturity of three months or less from the date of the acquisition. For the purposes of the statement of cash flows, the District defines cash and cash equivalents as amounts in demand deposits as well as short-term, highly liquid investments with original maturities of three months or less.

Deposits with Financial Institutions and Investments

The District's policy on investments primarily follow state statutes and regulations which authorize the District to invest in obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance.

Prepaid items

Prepaid items are charged to expenditure/expense at the time the items are used (consumption method).

Inventory

Inventory consists of food purchased by the District and commodities granted by the United State Department of Agriculture (USDA). The commodities are recognized as revenues and expenditures by the Food Service Fund when consumed. Any material commodities on hand at year end are recorded as inventory. All purchased inventory items are valued at the lower of cost or market (first-in, first-out) using the consumption method and commodities assigned values are based on information provided by the USDA.

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 acquisition values as of the date received. The District maintains a

MADISON COUNTY BOARD OF EDUCATION
Notes to the Financial Statements
Year Ended June 30, 2022

Note I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

capitalization threshold of \$5,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are expensed.

Assets, deferred outflows, liabilities, deferred inflows, and net position/fund balance (Continued)

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

Building 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

Long-term obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of applicable bond premium or discount.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred outflows/inflows of resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separated financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then. The District reports three types of deferred outflows-contributions to the CERS pension system after the measurement period, contributions to the TRS medical insurance fund after the measurement period and the unrecognized portion of a deferred loss on the refinancing of long-term debt.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until the appropriate period. The District reports two types of deferred inflows – those related to the net difference projected and actual earning on pension plan investments, and those related to the net difference projected and actual earnings on OPEB plan investments.

Note I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, deferred outflows, liabilities, deferred inflows, and net position/fund balance (Continued)

Pension obligations

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the Kentucky Public Pension Authority (KPPA) – County Employees Retirement-Non-hazardous (CERS) and Teacher’s Retirement System of the State of Kentucky (TRS) 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.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the CERS and TRS and additions to/deductions from fiduciary net position on the same basis as they are reported by these multiple-employer cost-sharing OPEB systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized by the pension systems when due and payable in accordance with the benefit terms. Investments are reported at fair value by the pension systems. Both systems publish separate financial statements as described in Note for Postemployment Benefits Other Than Pensions.

Net position flow assumptions

Net position is classified into the following categories:

Net investment in capital assets - consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position - consists of net position with constraints placed on use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position - consists of all other net position that is not included in the other categories previously mentioned.

When both restricted and unrestricted resources are available for use in a specific program or for specific purpose, the District’s normal policy is to use restricted resources first to finance its activities.

Fund balance flow assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). When fund balance resources are available for a specific purpose in multiple classifications, the District uses the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

Note I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, deferred outflows, liabilities, deferred inflows, and net position/fund balance (Continued)

Fund balance policies

Governmental fund equity is classified as fund balance. GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions provides more clearly defined fund balance categories to make the nature and extend of the constraints place on a government’s fund balance more transparent. The following classifications describe the relative strength of the spending constraints place on purpose for which resources can be used:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Management has classified prepaid items as being non-spendable as they are not expected to be converted to cash.

Restricted: This classification includes amounts for which constraints have been placed on the use of resources which are either.

1. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
2. Imposed by law through constitutional provisions or enabling legislation.

Committed: This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (resolution) of the District’s Board of Director, which is the District’s highest level of decision-making authority. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed.

Assigned: This classification includes spendable amounts for a specific purpose. The intent of an assigned fund balance is expressed by either the District’s Board, or a subordinate high-level body, such as a finance committee, or an official, such as the superintendent, that has the authority to assign amounts to be used for assigned purposes.

Unassigned: This classification is the residual fund balance for the General Fund. It represents fund balance that has not been assigned, committed, or restricted.

Revenue and expenditures/expenses

Program revenues - amounts reported as program revenues include 1) charges to customers who purchase or use goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not property included amount program revenues are reported instead as general revenues.

Property taxes - Property taxes are levied each August on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 15, 2021 through April 18, 2022.

Grants – unreimbursed expenditures due from grantor agencies are reflected in the government-wide financial statements as receivables and revenues. Grant revenues are recorded at the time eligible expenditures are incurred. Cash received from grantor agencies in excess of related grant expenditures is recorded as unavailable revenue on the Balance Sheet and unearned revenue on the Statement of Net Position.

Note I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, deferred outflows, liabilities, deferred inflows, and net position/fund balance (Continued)

Revenue and expenditures/expenses (Continued)

Compensated absences - upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits 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. On June 30, 2022, this amount total \$654,189.

Implementation of New Accounting Principle

The District adopted the provisions of GASB Statement No. 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This pronouncement did not impact the preparation of these financial statements.

Note II – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Violations of legal or contractual provisions

This District had no violations of legal or contractual provision in the fiscal year.

Cash deposits and cash equivalents

The Kentucky Revised Statutes authorize the District to investment money subject to its control in obligations of the United States; bonds or certificates of indebtedness of Kentucky and its agencies and instrumentalities; savings and loan associations insured by an agency of the United States up to the amount insured; and national or state banks chartered in Kentucky and insured by an agency of the United States providing such banks pledge as security obligations, as permitted by KRS 41.240(4), having a current quoted market value at least equal to uninsured deposits.

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

At year-end, the District's bank balances were collateralized by securities held by the pledging bank's trust department in the District's name and FDIC insurance. At year end, the carrying amount of the District's cash and cash equivalents, was \$58,375,729. The bank balance for the same time was \$64,578,336.

MADISON COUNTY BOARD OF EDUCATION
Notes to the Financial Statements
Year Ended June 30, 2022

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

Receivables

Amounts are aggregated into a single account receivable line in the Statement of Net Position and Balance Sheet. Below is the detail of receivable for the governmental funds:

Receivables	General Fund	Special Revenue	District Activity Fund	School Food Service Fund	Total
Taxes	\$ 1,629,879	\$ -	\$ -	\$ -	\$ 1,629,879
Accounts	25,433	859	1,243	9,933	37,468
Intergovernmental-state	23,750	57,752	-	956,991	1,038,493
Intergovernmental-federal	222,154	3,235,984	-	-	3,458,138
Total Receivables	\$ 1,901,216	\$ 3,294,595	\$ 1,243	\$ 966,924	\$ 6,163,978

MADISON COUNTY BOARD OF EDUCATION
Notes to the Financial Statements
Year Ended June 30, 2022

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

Capital assets

The changes in capital assets for the year ended June 30, 2022, are as follows:

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
<u>Governmental activities:</u>				
Non-depreciable capital assets				
Land	\$ 5,053,369	\$ 1,709,685	\$ -	\$ 6,763,054
Construction in progress	11,017,983	26,652,326	-	37,670,309
Total - Non-depreciable capital assets	<u>16,071,352</u>	<u>28,362,011</u>	<u>-</u>	<u>44,433,363</u>
Depreciable capital assets				
Land improvements	3,857,751	-	34,465	3,823,286
Buildings and Building Improvements	243,821,276	124,820	-	243,946,096
Technology equipment	4,205,001	218,829	530,619	3,893,211
Vehicles	20,122,417	634,762	565,069	20,192,110
General equipment	5,426,437	557,520	37,102	5,946,855
Total - Depreciable capital assets	<u>277,432,882</u>	<u>1,535,931</u>	<u>1,167,255</u>	<u>277,801,558</u>
Less: Accumulated depreciation				
Land improvements	3,830,239	6,460	34,465	3,802,234
Buildings and building Improvements	75,385,467	5,203,738	-	80,589,205
Technology equipment	3,911,985	85,966	530,619	3,467,332
Vehicles	14,302,495	1,047,112	565,069	14,784,538
General equipment	4,308,027	199,472	7,295	4,500,204
Total - Accumulated depreciation	<u>101,738,213</u>	<u>6,542,748</u>	<u>1,137,448</u>	<u>107,143,513</u>
Governmental Activities Capital Assets - net	<u>\$191,766,021</u>	<u>\$ 23,355,194</u>	<u>\$ 29,807</u>	<u>\$215,091,408</u>
<u>Business-Type Activities</u>				
Buildings and Building Improvements	12,372	27,193	-	39,565
Vehicles	-	182,341	-	182,341
Technology equipment	20,364	-	3,371	16,993
General equipment	5,106,190	1,472,989	60,525	6,518,654
Total -Non-depreciable capital assets	<u>5,138,926</u>	<u>1,682,523</u>	<u>63,896</u>	<u>6,757,553</u>
Less: Accumulated depreciation				
Buildings and Building Improvements	1,031	1,311	-	2,342
Vehicles	-	14,723	-	14,723
Technology equipment	20,069	-	3,371	16,698
General equipment	3,768,238	239,900	49,560	3,958,578
Total - Depreciable capital assets	<u>3,789,338</u>	<u>255,934</u>	<u>52,931</u>	<u>3,992,341</u>
Business-Type Activities Capital Assets - net	<u>\$ 1,349,588</u>	<u>\$ 1,426,589</u>	<u>\$ 10,965</u>	<u>\$ 2,765,212</u>

*Depreciation expense was not allocated to governmental functions. It appears on the statement of activities as "unallocated".

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

Pension obligations

The District participates in both the Teachers' Retirement System of the State of Kentucky (TRS) and the Kentucky Public Pensions Authority (KPPA) - County Employees Retirement System (CERS) for non-hazardous duties.

Teacher's Retirement System of the State of Kentucky (TRS)

Plan Description

TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). TRS is a cost-sharing multiple-employer defined benefit 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 of Kentucky. KRS 161.250 provides that the general administration and management of TRS, and the responsibility for its proper operation, is vested in a board of trustees. TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS covers positions requiring teaching certification or otherwise requiring a college degree as well as any person providing part-time or substitute teaching services that are the same or similar to those teaching services provided by full-time, certified teachers. Copies of the TRS Comprehensive Annual Financial Report and Actuarial Valuations may be obtained at: <https://trs.ky.gov/administration/financial-reports-information/>.

Pension Benefits

For members who have established an account in a retirement system administered by the Commonwealth prior to July 1, 2008, members become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, members must either 1) attain age fifty-five (55), or 2) complete 27 years of Kentucky service.

Participants that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university members 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 members (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 is than ten years. New members after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service including the first ten years. In addition, employees who retire July 1, 2004 or 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 members hired on or after that date. For members who enter TRS on or after January 1, 2022 TRS created a hybrid retirement plan with a foundational benefit which pays a lifetime retirement annuity.

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. TRS also provides disability benefits for vested employees at the rate of sixty (60) percent of the final average salary. When calculating the final average salary for employees entering the service on or after January 1, 2022 increases in compensation in the last five years prior to retirement are limited to the highest percentage increase generally available to the district's employees.

MADISON COUNTY BOARD OF EDUCATION
Notes to the Financial Statements
Year Ended June 30, 2022

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

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

Contributions

Contributions rates are established by Kentucky Revised Statutes (KRS). Beginning January 1, 2022 non-university employees are required to contribute 12.855% of their salaries for employees entering service prior to January 1, 2022 and 14.75% for employees entering service on or after January 1, 2022. The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions in the amount of 13.105% of salaries for local school district employees hired before July 1, 2008, 14.105% for those hired after July 1, 2008 and 10.75% for those hired on or after January 1, 2022. For local school district employees whose salaries are federally funded, the employer contributes 16.105% of salaries and employees paid with non-federal funds the district contributes 3% 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.

Kentucky Public Pensions Authority (KPPA) - County Employees Retirement System (CERS)

Plan Description

Under the provisions of KRS 61.645, the Board of Trustees of the Kentucky Public Pensions Authority (KPPA) administers CERS and has the authority to establish and amend benefit provisions. CERS was created by the Kentucky General Assembly pursuant to the provision of KRS 78.520. CERS is a cost-sharing, multiple-employer defined benefit pension plan administered by the Kentucky General Assembly. KRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth’s financial statements. CERS covers employees whose positions do not require a degree, substantially all full-time classified employees and these positions are considered non-hazardous. Copies of the TRS Comprehensive Annual Financial Report and Actuarial Valuations may be obtained at <https://kyret.ky.gov/Employers/GASB/Pages/default.aspx>.

Pension Benefits

CERS provides retirement, health insurance, death and disability benefits to CERS 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 of age or at least 25 years’ service and any age
Tier 2	Participation date	September 1, 2008 – December 31, 2013
	Unreduced retirement	At least 5 years’ service and 65 years old or age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years’ service and 60 years old

MADISON COUNTY BOARD OF EDUCATION
Notes to the Financial Statements
Year Ended June 30, 2022

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

Kentucky Public Pensions Authority (KPPA) - County Employees Retirement System (CERS) (Continued)

Pension Benefits (Continued)

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' equal 87
	Reduced retirement	Not available

Contributions

CERS pension benefits are grouped into three tiers, based on the hire date:

Tier 1 plan members who began participating prior to September 1, 2008, are required to contribute 5% (non-hazardous) or 8% (hazardous) of their annual creditable compensation. These members are classified in the Tier 1 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest.

Tier 2 plan members, who began participating on, or after, September 1, 2008 and before January 1, 2014, are required to contribute 6% (non-hazardous) or 9% (hazardous) of their annual credit compensation, while 1% of these contributions are deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(k) in the Pension Fund (See Kentucky Administrative Regulation 105 KAR 1:420 Employer's administrative duties). These members are classified in the Tier 2 structure of benefits. Interest is paid each June 30th on members' accounts as a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1% contribution to the 401(h) account is non-refundable and is forfeited.

Tier 3 plan members, who began participating on, or after, January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Members contribute 5% (non-hazardous) or 8% (hazardous) of their annual creditable compensation, and an additional 1% to the health insurance fund (401(h) account) which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the KPPA board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received an employer pay credit is deposited to the member's account. A member's account is credited with a 4% (non-hazardous) or 7.5% (hazardous) employer pay credit. The employer pay credit represents a portion of the employer contribution. CERS contribution rates for non-hazardous employees for pension 21.17%, insurance 5.78% for a combined total of 26.95%.

Funding for CERS is provided by members, who contribute 5.00% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions, and by employers of members. For the year ending June 30, 2022, employers were required to contribute 26.95% of the member's salary. During the year ending June 30, 2022, the District contributed \$4,368,675 to the CERS pension plan. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

MADISON COUNTY BOARD OF EDUCATION
Notes to the Financial Statements
Year Ended June 30, 2022

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

Kentucky Public Pensions Authority (KPPA) - County Employees Retirement System (CERS) (Continued)

Other Retirement Plans

The District also offers employees the option to participate in defined contribution plans under Sections 403(B) and 401(K) of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum allowable by laws. These plans are administered by an independent third-party administrator. The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. This deferred compensation is not available to employees until their termination, retirement, death or unforeseeable emergency. GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, allows entities with little or no administrative involvement and who do not perform the investing function for these plans to omit plan assets and related liabilities from their financial statement statements. The District, therefore, does not report these assets and liabilities on its financial statements. Employee contributions made to the plan during the year total \$706,260. The District does not contribute to these plans.

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

On June 30, 2022, 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 TRS because the Commonwealth of Kentucky provides the pension support directly to TRS 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 net CERS pension liability	\$ 32,967,715
Commonwealth's proportionate share of the net TRS pension liability associated with the District	<u>179,338,702</u>
	<u>\$ 212,306,417</u>

The net pension liability for each plan was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. The total pension liability was rolled-forward from the valuation date to the plan’s fiscal year ended, June 30, 2021, using generally accepted actuarial principles. The District’s portion 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. On June 30, 2021, the District’s proportion was .517077%. For the year ended June 30, 2022, the District recognized CERS pension expense of \$3,431,720 which is a \$2,896,482 increase in governmental funds and \$535,238 increase in proprietary funds and \$2,668,498 related to TRS as being paid. The adjusted pension expense recognized on the statement of activities, based on actuarial valuation for the year ended June 30, 2022, was (591,875) (a decrease of \$1,067,653 in governmental funds and an increase of \$475,778 in the business type activity funds). The District also recognized revenue of \$14,315,420 for TRS support provided by the Commonwealth.

MADISON COUNTY BOARD OF EDUCATION
Notes to the Financial Statements
Year Ended June 30, 2022

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

Pension liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

On June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 378,570	\$ 319,974
Changes of assumptions	442,466	-
Net difference between projected and actual earnings on pension	1,278,928	5,672,971
Changes in proportion and difference between District proportionate share of contributions	28,774	1,034,129
District contributions subsequent to the measurement date	3,431,720	-
	<u>\$ 5,560,458</u>	<u>\$ 7,027,074</u>

The amount reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date is \$3,431,720 and will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2022	\$ (953,791)
2023	(1,545,759)
2024	(1,022,798)
2025	(1,375,988)
2026	-
Thereafter	-

Actuarial assumptions

For TRS, the actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported (as of June 30, 2018 for the fiscal year 2021 contributions). The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of that schedule:

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years that began fiscal year 2014
Asset valuation method	5-year smoothing market
Inflation	2.50%
Salary Increase	3.00-7.50%, including inflation
Investment rate of return	7.10%, net of pension plan investment expense, including inflation

MADISON COUNTY BOARD OF EDUCATION
Notes to the Financial Statements
Year Ended June 30, 2022

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

Pension liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For CERS, the actuarially determined contribution rates effective for fiscal year ending 2019 were calculated as of June 30, 2018. The following actuarial methods and assumptions were used:

Actuarial cost method	Entry Age Normal
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization method	Level Percent of Pay
Amortization period	30 years, closed
Payroll Growth Rate	2.00%
Investment return	6.25%
Inflation	2.30%
Salary increases	3.30%-10.30%, varies by service

For TRS, the mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and active members.

The actuarial assumptions used were based on the results of an actuarial experience study for the 5-year period ending June 30, 2020, adopted by the TRS Board of Trustees on September 20, 2021.

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 renewal rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equity	37.4%	4.2%
Small Cap U.S. Equity	2.6%	4.7%
Developed International Equity	16.5%	5.3%
Emerging Markets Equity	5.5%	5.4%
Fixed Income	15.0%	-0.1%
High Yield Bonds	2.0%	1.7%
Other Additional Categories	5.0%	2.2%
Real Estate	7.0%	4.0%
Private Equity	7.0%	6.9%
Cash	2.0%	-0.3%
Total	100.0%	

MADISON COUNTY BOARD OF EDUCATION
Notes to the Financial Statements
Year Ended June 30, 2022

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

Pension liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For CERS, system-specific mortality table based on mortality experience from 2012-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a based year of 2019.

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by CERS’s investment consultant, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth		
US Equity	21.75%	5.70%
Non-US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
Liquidity		
Core Bonds	10.0%	0.00%
Cash	1.5%	-0.60%
Diversifying Strategies		
Real Estate	10.0%	5.40%
Opportunistic	0.0%	NA
Real Return	10.0%	4.55%
Total	100%	

Discount Rate

For TRS, the discount rates used to measure the total pension liability was 7.10%. 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 contribution rates will be made at the Actuarially Determined Contribution rates for all fiscal years in the future. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of project benefit payments to determine the total pension liability.

For CERS, a single discount rate of 6.25% was used to measure both the non-hazardous and hazardous system to measure the total pension liability for the fiscal year ending June 30, 2021. The single discount rate was based on the expected rate of return on pension plan investments for each system. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the pension plan’s fiduciary net position and future contributions were projected to be sufficient to finance all the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability for each system. The projection of cash flows used to determine the single discount rate must include an assumption regarding actual employer contributions made each future year. The future contributions are projected

MADISON COUNTY BOARD OF EDUCATION
Notes to the Financial Statements
Year Ended June 30, 2022

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

Pension liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

assuming that each participating employer in the System contribute the actuarially determined employer contribution rate each future year calculated in accordance with the current funding policy.

The following table present 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 and 1-percentage-point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
TRS	6.10%	7.10%	8.10%
District's proportionate share of net pension liability	\$ -	\$ -	\$ -
CERS	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	\$ 42,282,658	\$ 32,967,715	\$ 25,259,818

Other postemployment benefit (OPEB) obligations

The District’s employees are provided with two OPEB plans, based on each position’s college degree requirement. TRS covers positions requiring teaching certification or otherwise requiring a college degree. The CERS covers employees whose position does not require a college degree or teaching certification. Retired district employees receive some health care benefit depending on their length of service. In accordance with Kentucky Revised Statues, these benefits are provided and advance funded on an actuarially determined basis through the TRS and CERS plans. The TRS publicly available financial report may be obtained from <https://trs.ky.gov/administration/financial-reports-information/>. CERS issues a publicly available financial report that can be obtained at <https://kyret.ky.gov/Employers/GASB/Pages/default.aspx>.

TRS – OPEB

The Commonwealth of Kentucky (State) reports a liability, deferred outflows of resources and deferred inflows of resources, and expenses as a result of the statutory requirement to contribute to the TRS Medical Insurance (Health Trust) and Life Insurance Plans (Life Trust). The following information is about the TRS plans:

TRS Medical Insurance Fund (Health Trust)

Plan description

In addition to the retirement annuity plan described previously, KRS 161.675 requires TRS to provide access to post-employment healthcare benefits for eligible employees and dependents. The TRS medical plan (Health Trust) is a cost-sharing multiple-employer defined benefit plan. The Health Trust is funded by employer and member contributions. Changes to the medical plan may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance (KDEI), and the General Assembly.

The TRS medical plan is funded by employee contributions to an account established pursuant to 26 U.S.C. sec. 401(h). Additional funding is derived from the Kentucky Teacher’s’ Retirement System insurance trust fund that went into effect on July 1, 2010. The insurance trust fund provides a trust separate from the account established pursuant to 26 U.S.C.

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

Pension liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

TRS Medical Insurance Fund (Health Trust) (Continued)

sec. 401(h). The insurance trust fund includes employer and retired member contribution required under KRS 161.550 and KRS 161.675(4)(b)

Benefits provided

To be eligible for medical benefits through TRS, the member must have retired either for service or disability. The TRS medical plan offers coverage to members under the age of 65 through the Kentucky Employees Health Plan (KEHP) administered by the Kentucky Department of Employee Insurance. TRS retired members are given a supplement to be used for payment of their health insurance premium. The amount of the member's supplement is based on a contribution supplement table approved by the TRS Board of Trustees. The retired member pays premiums in excess of the monthly supplement. The Commonwealth of Kentucky bears risk for excess claims expenses that exceed the premium equivalents charged for the Kentucky Employees Health Plan. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan. For 2022, TRS will contribute \$696.84 towards insurance costs, less the shared responsibility cost of \$148.50. Under-65 retirees who are not Medicare eligible and continue on the KEHP are responsible for the remaining costs left from the total premium costs.

Contributions

In order to fund the TRS post-retirement healthcare benefit, seven and one-half percent (7.5%) of the gross annual payroll of members is contributed. Three percent (3.00%) is paid by member contributions and three quarters percent (.75%) from state appropriation and three percent (3.00%) from the employer. The state contributes the net cost of health insurance premiums for members who retired on or after July 1, 2010 who are in the non-Medicare eligible group. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

TRS Postemployment Life Insurance Benefits (Life Trust)

Plan description

TRS administers the life insurance plan as provided by KRS 161.655 to eligible active and retired members. The TRS Life Insurance benefit is a cost-sharing multiple-employer defined benefit plan with a special funding situation. This benefit is financed by actuarially determined contributions from the 207 participating employers. Changes made to the life insurance plan may be made by the TRS Board of Trustees and the General Assembly.

Benefits provided

The benefit TRS provides is \$5,000 for members who are retired for service or disability, and \$2,000 for active contributing members. For members entering on or before January 1, 2022, the life insurance benefit is \$5,000 for a eligible active members.

MADISON COUNTY BOARD OF EDUCATION
Notes to the Financial Statements
Year Ended June 30, 2022

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

Pension liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Contributions

For TRS to fund the post-retirement life insurance benefit, the state contributes three hundredths of one percent (.03%) of the gross annual payroll of members.

CERS – OPEB

Plan description

CERS health insurance benefits are subject to various participation dates to determine eligibility and health insurance contribution rates. For employees who initiated participation in the CERS system prior to July 1, 2003. KPPA pays a percentage of the monthly contribution rate for insurance covered based on the retired member’s years of service and type of service. Non-hazardous members receive a contribution subsidy for both the member and dependent coverage.

Benefit provided

Percentage of premium subsidies for CERS ranges from 0% for less than 4 years of service to 100% for 20 years or more service. For members who initiated participation in CERS system after July 1, 2003 until August 31, 2008, members must have 120 months of service in a state-administered retirement system to qualify for participation in the KPPA health plans.

Members who began participating with KPPA on or after September 1, 2008 must have 180 months of service upon retirement to participate in the KPPA health plans. Non-hazardous retiree receives \$10 toward the monthly premium for each full year of service.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

Contribution

CERS allocates a portion of the employer contributions to the health insurance benefit plan. For the 2020 measurement period, CERS allocated 6.21% of the 28.05% actuarially required contribution rate paid by employers for funding the healthcare benefit. In addition, 1% of the tier 2 and 3 employee contributions of 6% are allocated to the health insurance plan.

On June 30, 2022, the amount recognized by the District as its proportionate share of the net OPEB liability, the related Commonwealth support, and the total portion of the net OPEB liability with the District were as follows:

District's proportionate share of the net TRS OPEB MIF liability	\$ 15,805,000
District's proportionate share of the net CERS OPEB MIF liability	9,896,864
Total district proportionate share	<u>25,701,864</u>
Commonwealth's proportionate share of the net TRS OPEB - MIF liability associated with the District	<u>12,835,000</u>
	<u><u>\$ 38,536,864</u></u>

MADISON COUNTY BOARD OF EDUCATION
Notes to the Financial Statements
Year Ended June 30, 2022

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

Pension liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The net OPEB liability for each plan was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. For the year ended June 30, 2022, based on actuarial valuation, the district recognized on the statement of activities adjusted total net OPEB expense of \$(9,859,356) (decrease of \$10,011,110 in governmental funds and an increase of \$151,754 in the business type activity funds).

On June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the followings sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,556,285	\$ 12,352,874
Changes of assumptions	6,756,847	9,203
Net difference between project and actual earnings on OPEB plan investments	498,633	3,732,860
Changes in proportion and difference between District contributions and proportionate share of contributions	215,893	963,953
District contributions subsequent to the measurement date	<u>3,598,192</u>	<u>-</u>
Total	<u>\$ 12,625,850</u>	<u>\$ 17,058,890</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$3,598,192 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the Year Ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year ending June 30:	TRS	CERS
2022	\$ (1,810,000)	\$ 152,455
2023	(1,819,000)	(82,643)
2024	(1,704,000)	(120,993)
2025	(1,567,000)	(672,052)
2026	(397,000)	-
Thereafter	(11,000)	-

MADISON COUNTY BOARD OF EDUCATION
Notes to the Financial Statements
Year Ended June 30, 2022

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

Pension liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Actuarial assumptions for TRS are as follows:

Inflation	2.50%
Real wage growth	0.25%
Wage inflation	2.75%
Salary increases, including wage inflation	3.00%-7.50%
Long-term Investment Rate of Return, net of OPEB plan investment expense, including inflation	
Health Trust	7.10%
Life Trust	7.10%

Single Equivalent Interest Rate, Net of OPEB plan investment Expense, including price Inflation

Heath Trust	7.10%
Life Trust	7.10%

Health Trust Cost Trends

Under Age 65	7.00% for FYE 2021 decreasing to an ultimate rate of 4.50% by FYE 2031
Ages 65 and Older	5.00% for FYE 2022 decreasing to an ultimate rate of 4.50% by FYE 2024
Medicare Part B Premiums	4.40% for FYE 2021 with an ultimate rate of 4.50% by 2034

Actuarial assumptions for CERS are as follows:

Inflation	2.30%
Payroll growth	2.00%
Salary increases, including	3.30% to 10.30%, varies by service
Investment Return	6.25%

Mortality Rates

For TRS, mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disable retirees, and active members.

For CERS, mortality rates were based on system-specific mortality table based on mortality experience from 2013-2018 projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

MADISON COUNTY BOARD OF EDUCATION
Notes to the Financial Statements
Year Ended June 30, 2022

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

Pension liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Rate of Return

For TRS, the long-term expected rate of return on Health Trust and Life Trust investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, are summarized in the following table:

Asset Class	MIF	30-Year Expected Geometric Real Rate of
	Target Allocation	
Global Equity	58.00%	5.10%
Fixed Income	9.00%	-0.10%
Real Estate	6.50%	4.00%
Private Equity	8.50%	6.90%
High Yield	8.00%	1.70%
Other Additional Categories	9.00%	2.00%
Cash (LIBOR)	1.00%	-0.30%
Total	<u>100.0%</u>	

Asset Class	LIF*	30-Year Expected Geometric Real Rate of
	Target Allocation	
U.S. Equity	40.00%	4.40%
International Equity	23.00%	5.60%
Fixed Income	18.00%	-0.10%
Real Estate	6.00%	4.00%
Private Equity	5.00%	6.90%
Other Additional Categories	6.00%	2.10%
Cash (LIBOR)	2.00%	-0.30%
Total	<u>100.00%</u>	

For CERS, the long-term expected rate of return on OPEB investments was determined by using a building block method in which best estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of estimates of arithmetic real rate of return for each major asset class is summarized in the table below. The current long-term inflation assumption is 2.30% per annum.

MADISON COUNTY BOARD OF EDUCATION
Notes to the Financial Statements
Year Ended June 30, 2022

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Growth	68.50%	
US Equity	21.75%	5.70%
Non-US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
Liquidity	11.50%	
Core Bonds	10.00%	0.00%
Cash	1.50%	-0.60%
Diversifying Strategies	20.00%	
Real Estate	10.00%	5.40%
Opportunistic	0.00%	NA
Real Return	10.00%	4.55%

Discount Rate

For TRS, the discount rate used to measure the TOL at June 30, 2021 was 7.10% for the Health Trust.

The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The projection’s basis was an actuarial valuation performed as of June 30, 2020. In addition to the actuarial methods and assumptions of the June 30, 2020 actuarial valuation, the following actuarial methods and assumptions were used into project of cash flows.

- Total payroll for the initial projection year consists of the payroll of the active membership present on the Valuation Date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 2.75%.
- The pre-65 retiree health care costs for members retired on or after July 1, 2010 were assumed to be paid by either the State or the retirees themselves.
- As administrative expenses, other than the administrative fee of \$8.00 PM paid to KEHP by TRS were assumed to be paid in all years by the employers as they come due, they were not considered.
- Cash flows occur mid-year.
- Future contributions to the Health Trust were based upon the contribution rates defined in statute and the projected payroll of active employees. Per KRS 161.540(1).3 and 161.550(5), when the Health Trust achieves a sufficient prefunded status, as determined by the retirement system’s actuary, the following Health Trust statutory contributions re to be decreased, suspended or eliminated:
 - Employee contributions
 - School District/University Contributions
 - State Contributions for KEHP Premium subsidies payable to retirees who retire after June 30, 2010

To reflect these adjustments, open group projections were used and assumed an equal, pro rata reduction to the current statutory amounts I the years if/when the Health Trust is projected to achieve a Funded Ratio of 100% or more. Here, the current statutory amounts are adjusted to achieve total contributions equal to the Actuarially Determined Contribution (ADC), as determined by the prior year’s valuation and in accordance with the Health Trust’s funding policy. As the specific methodology to be used for the adjustments has yet to be determined,

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

Discount Rate (Continued)

there may be differences between the projected results and future experience. This may also include any changes to retiree contributions for KEHP coverage pursuant to KRS 161.674(4)(b).

- In developing the adjustments to the statutory contributions in future years, the following was assumed:
 - Liabilities and cash flows are net of expected retiree contributions and an implicit subsidy attributable to coverage while participating in KEHP.
 - For the purpose of developing estimates for new entrants, active headcounts were assumed to remain flat for all future years.

Based on these assumptions, the Health Trust's FNP was not projected to be depleted.

Life Trust Discount rate.

The discount rate used to measure the TOL as of the Measurement Date was 7.10%. The projection of cash flows used to determine the discount rates was performed in accordance with GASB 74. The projection's basis was an actuarial valuation performed as of June 30, 2020. In addition to the Actuarial methods and assumptions of the June 30, 2020 actuarial valuation, the following actuarial methods and assumptions were used in the projection of the Life Trust's cash flows:

Total payroll for the initial projection year consists of the payroll of the active membership present on the Valuation Date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 2.75%

- The employer will contribute the Actuarially Determined Contribution (ADC) in accordance with the Life Trust's funding policy determined by a valuation performed on a date two years prior to the beginning of the fiscal year in which the ADC applies.
- As administrative expenses were assumed to be paid in all year by the employer as they come due, they were not considered.
- Active employees do not contribute to the plan.
- Cash flows occurred mid-year.

Based on the assumptions, the Life Trust's FNP was not projected to be depleted.

Long-term rate of return

The long-term expected rate of return on OPEB plan investments was determined based on the allocation of assets by asset class and by the mean and variance of real returns.

Municipal bond rate

The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. The rate used, if necessary, for this purpose is the monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate.

Periods of projected benefit payments for all current plan members were projected through 2119.

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

CERS

Single discount rates of 5.20% for the CERS non-hazardous system were used to measure the total OPEB liability as of June 30, 2021. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 1.92%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2021. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the plan's fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. There, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the System's actuarially determined contributions, and it is our understanding that any cost associated with the implicit subsidy will not be paid out of the System's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicitly subsidy.

Periods of projected benefit payments for all current plan members were projected through 2119.

The projection of cash flows used to determine the single discount rate must include an assumption regarding actual employer contributions made each future year. Future contributions are projected assuming that each participating employer in each insurance plan contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy, as most recently revised by House Bill 8, passed during the 2021 legislative session. The assumed future employer contributions reflect the provision of House Bill 362 (passed during the 2018 legislative session) which limit the increases to the employer contribution rates to 12% over the prior fiscal year through June 30, 2028.

Risk management

This district is exposed to various risks of loss related to forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accident, errors and omissions, fiduciary responsibility, illegal acts, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies, which are retrospectively rated and includes Workers' Compensation insurance.

MADISON COUNTY BOARD OF EDUCATION
Notes to the Financial Statements
Year Ended June 30, 2022

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

Long-Term Debt

The Kentucky School Facility Construction Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting the school construction needs. Through a “participation agreement” with the District the Commission agreed to pay annual debt service requirements on behalf of the District.

The bonds may be called prior to maturity at dates and redemption premiums specified in each issue. Assuming no issues are called prior to maturity, the minimum obligation of the District, including amounts to be paid by the Commission, on June 30, 2022 for debt services are as follows:

	Interest Rates	Maturity Date	Original Issue	Beginning Balance	Increases	Decreases	Ending Balance	Due within one year
Governmental Activities:								
Revenue Bonds, net of premium/discount:								
Series 2008B	3.0 - 4.625%	5/1/2023	\$ 7,585,000	\$ 1,345,000	\$ -	\$ 975,000	\$ 370,000	\$ 370,000
Series 2014	2.00 - 3.625%	2/1/2035	10,495,000	8,495,000	-	355,000	8,140,000	365,000
Series 2015	2.00 - 3.00%	2/1/2036	9,365,000	8,115,000	-	270,000	7,845,000	275,000
Series 2017	3.00 - 3.25%	6/1/2037	11,160,000	9,940,000	-	330,000	9,610,000	340,000
Series 2020	2.00%	10/1/2040	17,350,000	17,350,000	-	555,000	16,795,000	565,000
Series 2021	1.25 - 2.00%	2/1/2041	9,895,000	9,895,000	-	215,000	9,680,000	240,000
Series 2021 - 2nd Issue	2.00 - 2.125%	8/1/2041	6,085,000	-	6,085,000	-	6,085,000	205,000
Refunding Revenue Bonds, net of premium/discount:								
Series 2013R	2.00 - 2.375%	4/1/2025	13,500,000	5,280,000	-	1,480,000	3,800,000	1,510,000
Series 2014R	2.00 - 3.00%	2/1/2025	10,795,000	5,480,000	-	1,300,000	4,180,000	1,345,000
Series 2016R	2.25 - 5.00%	5/1/2030	24,900,000	18,860,000	-	1,360,000	17,500,000	1,420,000
Series 2016R2	2.00 - 2.125%	6/1/2029	27,790,000	23,590,000	-	1,695,000	21,895,000	2,370,000
Series 2021R	1.00 - 1.25%	4/1/2031	2,470,000	2,470,000	-	105,000	2,365,000	115,000
			<u>\$151,390,000</u>	<u>\$110,820,000</u>	<u>\$ 6,085,000</u>	<u>\$ 8,640,000</u>	<u>\$108,265,000</u>	<u>\$ 9,120,000</u>
Other Liabilities								
Sick leave				815,392	-	161,203	654,189	250,000
Pension Liability				35,650,083	-	7,824,272	27,825,811	-
OPEB Liability				30,039,695	-	5,881,424	24,158,271	-
Total Other Liabilities				<u>66,505,170</u>	<u>-</u>	<u>13,866,899</u>	<u>52,638,271</u>	<u>250,000</u>
Total Governmental Activities Liabilities				<u>\$177,325,170</u>	<u>\$ 6,085,000</u>	<u>\$ 22,506,899</u>	<u>\$160,903,271</u>	<u>\$ 9,370,000</u>

MADISON COUNTY BOARD OF EDUCATION
Notes to the Financial Statements
Year Ended June 30, 2022

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

The future principal and interest payments on long-term debt are as follows:

Fiscal Year Ending	District		Kentucky School Facility		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 8,443,610	\$ 2,333,167	\$ 676,390	\$ 250,058	\$ 9,120,000	\$ 2,583,225
2024	8,670,784	2,108,193	699,216	227,232	9,370,000	2,335,425
2025	8,909,208	1,872,523	720,792	205,655	9,630,000	2,078,178
2026	8,730,759	1,623,107	739,241	187,206	9,470,000	1,810,313
2027	8,729,192	1,400,366	600,808	168,359	9,330,000	1,568,725
2028	8,834,069	1,209,672	530,931	152,360	9,365,000	1,362,032
2029	7,463,601	1,022,442	541,399	137,911	8,005,000	1,160,353
2030	6,105,354	857,430	539,646	123,063	6,645,000	980,493
2031	3,709,866	701,514	555,134	107,576	4,265,000	809,090
2032	3,528,515	616,245	571,485	91,224	4,100,000	707,469
2033	3,621,184	529,167	588,816	73,895	4,210,000	603,062
2034	3,723,297	438,923	606,703	56,008	4,330,000	494,931
2035	3,825,152	344,987	559,848	38,381	4,385,000	383,368
2036	3,380,824	254,528	289,176	25,760	3,670,000	280,288
2037	2,642,810	186,054	297,190	17,746	2,940,000	203,800
2038	2,334,754	127,500	115,246	9,500	2,450,000	137,000
2039	2,032,448	91,355	117,552	7,195	2,150,000	98,550
2040	2,080,097	57,906	119,903	4,844	2,200,000	62,750
2041	2,117,700	23,704	122,300	2,446	2,240,000	26,150
2042	390,000	4,144	-	-	390,000	4,144
	<u>\$ 99,273,224</u>	<u>\$ 15,802,927</u>	<u>\$ 8,991,776</u>	<u>\$ 1,886,419</u>	<u>\$108,265,000</u>	<u>\$ 17,689,346</u>

Interfund transfers

Interfund transfers are used to fund operations in the various accounts. The composition of interfund transfers as of June 30, 2022 is as follows:

	Transfers In From Other	Transfers Out To Other Funds
General Fund	\$ 2,087,418	\$ 2,158,264
Special Revenue Fund	226,458	1,684,134
District Activity Fund	189,867	-
Student Activity Fund	-	91,866
Building Fund	-	10,617,262
Construction	1,845,852	-
Debt Service Fund	10,617,262	-
Food Service Fund	-	415,331
	<u>\$ 14,966,857</u>	<u>\$ 14,966,857</u>

- The General Fund transferred \$2,158,264 among the Special Revenue Fund, District Activity Fund, and Construction Fund for operating purposes.
- The Special Revenue Fund transferred \$1,684,134 to the General Fund for grant expenses.

MADISON COUNTY BOARD OF EDUCATION
Notes to the Financial Statements
Year Ended June 30, 2022

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

Interfund transfers (Continued)

- The Student Activity Fund transferred \$91,866 to the District Activity Fund to cover the cost of student activities.
- The Building Fund transferred \$10,617,262 to the Debt Service Fund to cover debt service principal and interest payments and expenses related to a new bus garage.
- The Food Service Fund transferred \$415,331 to the General Fund for indirect costs.

On-Behalf payments

The Commonwealth of Kentucky makes payments on-behalf of the District for the employer’s portion of health benefits, teacher’s retirement, technology, and debt service.

Kentucky Teachers Retirement System	\$ 15,403,351
Health Insurance	11,550,677
Life Insurance	18,645
Administrative Fee	149,060
HRA/Dental/Vision	778,834
Federal Reimbursement	(1,532,031)
Technology	171,527
Debt Service	926,447
Total On-Behalf	<u><u>\$ 27,466,510</u></u>

Risk and Uncertainties

The District invest in investment securities. Investment securities are exposed to various risks, such as interest rate, credit and market risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amount balances and the amounts reported in the financial statements.

Interest Rate Risk

The district does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Under Kentucky Revised Statutes Section 66.480, the District is authorized to invest in obligations of the United States and its agencies and instrumentalities, obligations and contract for future delivery or purchase of obligations backed by the full faith and credit of the United States or of its agencies, obligations of any corporation or the United States government, certificates of deposit, commercial paper rated in one of the three highest categories by nationally recognized rating agencies and securities. Mutual funds shall be eligible investments pursuant to this section. The District has no investment policy that would further limit its investment choices. The District’s Edward Jones investment account was donated for the purpose to award scholarships, therefore, the mutual fund, Investment Co of America Fund A. is not in compliance with the KRS.

MADISON COUNTY BOARD OF EDUCATION
Notes to the Financial Statements
Year Ended June 30, 2022

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer.

Custodial Credit Risk

The District's investment in the mutual fund, Investment Co of America Fund A, is uninsured and uncollateralized.

Fair Value Measurement – The District's investments are measured and reported at fair value and classified according to the following hierarchy:

- Level 1 – Investments reflect prices quoted on active markets.
- Level 2 – Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include input in markets that are considered to be active.
- Level 3 – Investments reflect prices based on unobservable sources.

Investments as noted in the above table are classified as Level 1 investments.

New Pronouncements

The GASB has issued several reporting standards that will become effective for fiscal year 2022 and later years' financial statements.

GASB Statement No. 96, Subscription-Based Information Technology Arrangements provides guidance on the accounting and financial reporting for subscription-based technology arrangements (SBITA). The statement defines SBITA; (2) establishes that a SBITA results in a right-to-use subscription assets-an intangible asset-and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA.

GASB Statement No. 100, Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62-the primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

GASB Statement No. 101, Compensated Absences – the objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

The District is currently evaluating the impact that will result from adopting these GASB standards and is therefore unable to disclose the impact that adopting these standards will have on the District's financial position and the results of its operations when the standards are adopted.

MADISON COUNTY BOARD OF EDUCATION
Notes to the Financial Statements
Year Ended June 30, 2022

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

Commitments and Contingencies

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

The District is subject to various other legal actions in various stages of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the basic financial statements as a result of the cases presently under progress.

The district also had construction commitments for on-going projects at June 30, 2022.

Restatement of Prior Year Amount

The beginning net position for the School Food Service fund was decreased by \$10,962 from the prior year ending net position amount due to an error in the OPEB amount reported in the prior year.

Madison County School District
REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the District's Proportionate Share of Net Pension Liability – TRS and CERS
For the Year Ended June 30, 2022

	Reporting Fiscal Year (Measurement Date) 2022 (2021)	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)	Reporting Fiscal Year (Measurement Date) 2017 (2016)	Reporting Fiscal Year (Measurement Date) 2016 (2015)	Reporting Fiscal Year (Measurement Date) 2015 (2014)
Teacher's Retirement System of the State of Kentucky (TRS)								
District's proportion of the net pension liability	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
District's proportionate share of the net pension liability	-	-	-	-	-	-	-	-
State's proportionate share of pension liability associated with the District	\$ 179,338,702	\$ 196,593,160	\$ 190,912,596	\$ 186,810,019	\$ 384,985,477	\$ 420,273,287	\$ 322,325,327	\$ 181,876,971
Total	\$ 179,338,702	\$ 196,593,160	\$ 190,912,596	\$ 186,810,019	\$ 384,985,477	\$ 420,273,287	\$ 322,325,327	\$ 181,876,971
District's covered-employee payroll	\$ 51,759,181	\$ 47,682,700	\$ 45,020,965	\$ 44,809,167	\$ 44,835,055	\$ 44,382,855	\$ 42,406,680	\$ 41,196,293
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.000%
Plan fiduciary net position as a percentage of the total pension liability	65.59%	58.27%	58.80%	59.30%	39.80%	35.22%	42.49%	45.59%
County Employee Retirement System (CERS)								
District's proportion of the net pension liability	0.517077%	0.540312%	0.542458%	0.539536%	0.52972%	0.53327%	0.534628%	0.53192%
District's proportionate share of the net pension liability	\$ 32,967,715	\$ 41,441,483	\$ 38,151,313	\$ 32,859,387	\$ 31,006,374	\$ 26,256,386	\$ 22,986,474	\$ 17,257,000
State's proportionate share of the net pension liability	-	-	-	-	-	-	-	-
Total	\$ 32,967,715	\$ 41,441,483	\$ 38,151,313	\$ 32,859,387	\$ 31,006,374	\$ 26,256,386	\$ 22,986,474	\$ 17,257,000
District's covered-employee payroll	\$ 15,599,952	\$ 13,583,299	\$ 13,899,070	\$ 13,665,650	\$ 13,255,269	\$ 13,007,551	\$ 12,851,981	\$ 13,045,591
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	211.33%	305.09%	274.49%	240.45%	233.92%	201.85%	178.86%	132.28%
Plan fiduciary net position as a percentage of the total pension liability	57.33%	58.27%	50.45%	53.54%	53.30%	59.00%	59.97%	66.80%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. Amounts presented for each fiscal year is determined as of June 30.

See the accompanying notes to the required supplementary information.

Madison County School District
REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Contributions CERS and TRS - Pension
For the Year Ended June 30, 2022

	2022	2021	2020	2019	2018	2017	2016	2015
<u>Teacher's Retirement System of the State of Kentucky (TRS)</u>								
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 51,759,181	\$ 47,682,700	\$ 45,020,965	\$ 44,809,167	\$ 44,835,055	\$ 44,382,855	\$ 42,406,680	\$ 41,196,293
District's contributions as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<u>County Employee Retirement System (CERS)</u>								
Contractually required contribution	\$ 3,431,720	\$ 2,584,255	\$ 2,731,240	\$ 2,254,429	\$ 1,978,786	\$ 1,849,110	\$ 1,615,538	\$ 1,589,810
Contributions in related to the contractually required contribution	3,431,720	2,584,255	2,731,240	2,254,429	1,978,786	1,849,110	1,615,538	1,589,810
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 15,599,952	\$ 13,583,299	\$ 13,899,070	\$ 13,665,650	\$ 13,255,269	\$ 13,007,551	\$ 12,851,981	\$ 13,045,591
District's contributions as a percentage of its covered-employee payroll	22.00%	19.03%	19.65%	16.50%	14.93%	14.22%	12.57%	12.19%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. Amounts presented for each fiscal year is determined as of June 30.

See the accompanying notes to the required supplementary information.

Madison County School District
REQUIRED SUPPLEMENTARY INFORMATION

Notes to Required Supplementary Information – Pension
For the Year Ended June 30, 2022

TRS

Changes of benefit terms

None

Changes of assumptions

The assumption changes adopted by the Board on September 20, 2021, are summarized below:

- Prince Inflation assumed rate changed from 3.00% to 2.50%,
- Wage Inflation assumed rate changed from 3.50% to 2.75%,
- Assumed investment rate of return changed from 7.50% to 7.10%,
- Assumed Salary Scale changed to a service-based table and adjusted to reflect a decrease of 0.25% in merit and promotion of all ages,
- An administrative expense load of 0.32% of payroll has been added to the normal cost rate,
- Assumed rate of mortality have been revised to the Pub-2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with the MP-2020 improvement scale with various set-forwards, set-backs, and adjustments, and
- Assumed rate of withdrawal, disability, and retirement have been adjusted to reflect experience more closely.
- Increased load for unused sick leave from 2.0% to 3.0% for all activity liability at the time of retirement.

CERS

There have been no actuarial assumption or method changes since June 30, 2020. Senate Bill 169 passed during the 2021 legislative session and increased the disability benefits for certain qualifying members who become “totally and permanently disabled” in the line of duty or as a result of a duty-related disability. The total pension liability as of June 30, 2021 is determined using these updated benefit provisions. There were no other material plan provision changes.

Madison County School District
REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the District's Proportionate Share of the Net OPEB Liability Medical & Life Insurance Plans - TRS – OPEB
For the Year Ended June 30, 2022

	Reporting Fiscal Year (Measurement Date) 2022 (2021)	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)
MEDICAL INSURANCE PLAN					
District's proportion of the collective OPEB liability	0.516956%	0.745683%	0.746753%	0.738448%	0.755851%
District's proportionate share of the collective net OPEB liability	\$ 15,805,000	\$ 18,819,000	\$ 21,856,100	\$ 25,622,000	\$ 26,952,000
State's proportionate share of the collective net OPEB liability associated with the District	12,835,000	15,075,000	17,650,000	22,081,000	22,016,000
Total	<u>\$ 28,640,000</u>	<u>\$ 33,894,000</u>	<u>\$ 39,506,100</u>	<u>\$ 47,703,000</u>	<u>\$ 48,968,000</u>
District's covered-employee payroll	\$ 51,759,181	\$ 47,682,700	\$ 45,020,965	44,809,167	\$ 44,835,055
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	30.54%	39.47%	48.55%	57.18%	60.11%
Plan fiduciary net position as a percentage of the total OPEB	51.74%	39.05%	32.58%	25.50%	21.20%
LIFE INSURANCE PLAN					
District's proportion of the collective OPEB liability	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
District's proportionate share of the collective net OPEB liability	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the collective net OPEB liability associated with the District	171,000	456,000	410,000	379,000	295,000
Total	<u>\$ 171,000</u>	<u>\$ 456,000</u>	<u>\$ 410,000</u>	<u>\$ 379,000</u>	<u>\$ 295,000</u>
District's covered-employee payroll	\$ 51,759,181	\$ 47,682,700	\$ 45,020,965	\$ 44,809,167	\$ 44,835,055
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB	89.15%	71.57%	73.40%	75.00%	80.00%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. Amounts presented for each fiscal year is determined as of June 30.

See the accompanying notes to the required supplementary information.

Madison County School District
REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the Contributions - TRS – OPEB
For the Year Ended June 30, 2022

	2022	2021	2020	2019	2018
<u>MEDICAL INSURANCE PLAN</u>					
Contractually required contribution	\$ 2,661,237	\$ 1,405,786	\$ 1,365,848	\$ 1,350,629	\$ 1,344,275
Contributions in relation to the contractually required contribution	<u>2,661,237</u>	<u>1,405,786</u>	<u>1,365,848</u>	<u>1,350,629</u>	<u>1,344,275</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 51,759,181	\$ 47,682,700	\$ 45,020,965	\$ 44,809,167	\$ 44,835,055
District's contributions as a percentage of it's covered-employee payroll	5.14%	2.95%	3.03%	3.01%	3.00%
<u>LIFE INSURANCE PLAN</u>					
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 51,759,181	\$ 47,682,700	\$ 45,020,965	\$ 44,809,167	\$ 44,835,055
District's contributions as a percentage of it's covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. Amounts presented for each fiscal year is determined as of June 30.

See the accompanying notes to the required supplementary information.

Madison County School District
REQUIRED SUPPLEMENTARY INFORMATION

Schedule of District's Proportionate Share of the Net OPEB Liability – CERS
For the Year Ended June 30, 2022

	Reporting Fiscal Year (Measurement Date) 2022 (2021)	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)
<u>HEALTH INSURANCE PLAN</u>					
District's proportion of the collective OPEB liability	0.51696%	0.54017%	0.54233%	0.53951%	0.59297%
District's proportionate share of the collective net OPEB liability	\$ 9,896,864	\$ 13,043,511	\$ 9,121,662	\$ 9,578,954	\$ 10,649,264
State's proportionate share of the collective net OPEB liability associated with the District	-	-	-	-	-
Total	<u>\$ 9,896,864</u>	<u>\$ 13,043,511</u>	<u>\$ 9,121,662</u>	<u>\$ 9,578,954</u>	<u>\$ 10,649,264</u>
District's covered-employee payroll	\$ 15,599,952	\$ 13,583,299	\$ 13,899,070	\$ 13,665,650	\$ 13,255,269
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	63.44%	96.03%	65.63%	70.10%	80.34%
Plan fiduciary net position as a percentage of the total OPEB	62.91%	51.67%	60.44%	57.62%	52.39%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. Amounts presented for each fiscal year is determined as of June 30.

See the accompanying notes to the required supplementary information.

Madison County School District
REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Contributions OPEB Liability – CERS
For the Year Ended June 30, 2022

<u>HEALTH INSURANCE PLAN</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 936,955	\$ 637,360	\$ 673,612	\$ 731,091	\$ 642,286
Contributions in relation to the contractually required contribution	936,955	637,360	673,612	731,091	642,286
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 15,599,952	\$ 13,583,299	\$ 13,899,070	\$ 13,665,650	\$ 13,255,269
District's contributions as a percentage of it's covered-employee payroll	6.01%	4.69%	4.85%	5.35%	4.85%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. Amounts presented for each fiscal year is determined as of June 30.

See the accompanying notes to the required supplementary information.

Madison County School District
REQUIRED SUPPLEMENTARY INFORMATION

Notes to Required Supplementary Information – OPEB
For the Year Ended June 30, 2022

TRS

Note I - Changes of Benefit Terms

Health Trust

- None

Life Trust

- None

Note II - Changes to assumptions or other inputs

Health Trust

The changes adopted by the Board on September 20, 2021, include various demographic and economic assumptions summarized below:

- Price Inflation changed assumed rate from 3.00% to 2.50%,
- Wage Inflation changed assumed rate from 3.50% to 2.75%,
- Assumed investment rate of return changed from 8.00% for the Health Trust and 7.50% for the Life Trust to 7.10% for both
- Assumed Salary Scale adjusted to reflect a decrease of 0.25% in merit and promotion for all ages
- Assumed rate of mortality have been revised to the Pub-2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with the MP-2020 improvement scale with various set-forwards, set-backs, and adjustments
- Assumed rate of Withdrawal, Disability, Retirement, and Mortality have been adjusted to more closely reflect experience, and
- Assumed rates of member and spousal participation have been adjusted to more closely reflect experience

Life Trust

None

CERS

Single discount rates of 5.20% for the CERS non-hazardous insurance plan and 5.05% for the CERS hazardous insurance plan were used to measure the total OPEB liability as of June 30, 2021. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 1.92%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2021. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, each plan's fiduciary net position and future contributions were projected separately and were sufficient to finance the future benefit payments of the current plan members. Therefore, the long term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the plan's actuarially determined contributions, and it is our understanding that any cost associated with the implicit subsidy will not be paid out of the plan's trust. Therefore, municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

MADISON COUNTY SCHOOL DISTRICT

Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2022

	District Activity	School Activity Fund	Capital Outlay	Facility Support Program (FSKP) Fund	Debt Service Fund	Total Non-Major Funds
ASSETS						
Cash and cash equivalents	\$ 611,023	\$ 1,032,605	\$ 2,232,937	\$ 2,384,532	\$ -	\$ 6,261,097
Interfund receivables	-	-	-	-	-	-
Receivables						
Taxes-current	-	-	-	-	-	-
Accounts	1,243	-	-	-	-	1,243
Intergovernmental - state	-	-	-	-	-	-
Intergovernmental - federal	-	-	-	-	-	-
Total assets	<u>612,266</u>	<u>1,032,605</u>	<u>2,232,937</u>	<u>2,384,532</u>	<u>-</u>	<u>6,262,340</u>
LIABILITIES						
Accounts payable	15,791	-	-	-	-	15,791
Interfund payable	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
Total liabilities	<u>15,791</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,791</u>
FUND BALANCE						
Restricted	-	-	2,232,937	2,384,532	-	4,617,469
Committed	592,076	1,032,605	-	-	-	1,624,681
Assigned	4,399	-	-	-	-	4,399
Unassigned	-	-	-	-	-	-
Total fund balance	<u>596,475</u>	<u>1,032,605</u>	<u>2,232,937</u>	<u>2,384,532</u>	<u>-</u>	<u>6,246,549</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 612,266</u>	<u>\$ 1,032,605</u>	<u>\$ 2,232,937</u>	<u>\$ 2,384,532</u>	<u>\$ -</u>	<u>\$ 6,262,340</u>

MADISON COUNTY SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds
For the Year Ended June 30, 2022

	District Activity	Student Activity	Capital Outlay Fund	Facility Support Program	Debt Service Fund	Total Non-Major Funds
Revenues						
From Local Sources						
Taxes						
Property	\$ -	\$ -	\$ -	\$ 9,772,814	\$ -	\$ 9,772,814
Motor vehicle	-	-	-	-	-	-
Franchise	-	-	-	366,181	-	366,181
Utilities	-	-	-	-	-	-
Earnings on investments	296	231	3,757	3,572	-	7,856
Student activities	239,371	1,228,605	-	-	-	1,467,976
Other local revenue	56,358	516,133	-	-	-	572,491
Intergovernmental - state	-	-	1,021,007	2,998,258	926,447	4,945,712
Intergovernmental - federal	-	-	-	-	-	-
Total revenues	<u>296,025</u>	<u>1,744,969</u>	<u>1,024,764</u>	<u>13,140,825</u>	<u>926,447</u>	<u>17,133,030</u>
EXPENDITURES						
Instruction	227,946	1,496,654	-	-	-	1,724,600
Support services						
Student	-	6,685	-	-	-	6,685
Instructional staff	77,599	62,185	-	-	-	139,784
District Administration	-	-	-	152,085	-	152,085
School Administration	-	-	-	-	-	-
Business	-	-	-	-	-	-
Plant operation and maintenance	-	1,256	-	-	-	1,256
Student Transportation	69,837	5,596	-	-	-	75,433
Community Services Operations	-	-	-	-	-	-
Land/Site Acquisitions	-	-	-	-	-	-
Site Improvement	-	-	-	-	-	-
Building acquisitions/construction	-	-	-	-	-	-
Building improvements	-	-	-	-	-	-
Other Non-Instructional Services	-	12,815	-	-	-	12,815
Debt service						
Principal	-	-	-	-	8,640,000	8,640,000
Interest	-	-	-	-	2,903,709	2,903,709
Total expenditures	<u>375,382</u>	<u>1,585,191</u>	<u>-</u>	<u>152,085</u>	<u>11,543,709</u>	<u>13,656,367</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(79,357)	159,778	1,024,764	12,988,740	(10,617,262)	3,476,663
OTHER FINANCING SOURCES (USES)						
Bond proceeds	-	-	-	-	-	-
Bond premium	-	-	-	-	-	-
Loss Compensation	-	-	-	-	-	-
Operating transfers in	189,867	-	-	-	10,617,262	10,807,129
Operating transfers (out)	-	(91,866)	-	(10,617,262)	-	(10,709,128)
Total other financing sources and (use):	<u>189,867</u>	<u>(91,866)</u>	<u>-</u>	<u>(10,617,262)</u>	<u>10,617,262</u>	<u>98,001</u>
NET CHANGE IN FUND BALANCE	110,510	67,912	1,024,764	2,371,478	-	3,574,664
FUND BALANCE - BEGINNING	485,965	964,693	1,208,173	13,054	-	2,671,885
FUND BALANCE - ENDING	<u>\$ 596,475</u>	<u>\$ 1,032,605</u>	<u>\$ 2,232,937</u>	<u>\$ 2,384,532</u>	<u>\$ -</u>	<u>\$ 6,246,549</u>

MADISON COUNTY SCHOOL DISTRICT

Student Activity Funds - Combining Schedule of Assets, Cash Receipts and Disbursements, and Liabilities
For the Year Ended June 30, 2022

School	Cash			Cash Balances June 30, 2022	Receivables June 30, 2022	Payables June 30, 2022	Due To Student Groups June 30, 2022
	Balances July 1, 2021	Receipts	Disbursements				
Boonesborough Elementary	\$ 6,568	\$ 55,724	\$ 50,284	\$ 12,008	\$ -	\$ -	\$ 12,008
Daniel Boone Elementary	7,818	16,078	17,771	6,125	-	303	5,822
Glenn Marshall Elementary	10,118	45,067	36,555	18,630	-	-	18,630
Kingston Elementary	24,222	39,249	40,924	22,547	-	-	22,547
Kirksville Elementary	15,049	18,263	20,434	12,878	-	-	12,878
Kit Carson Elementary	14,260	7,741	8,762	13,239	-	-	13,239
Madison Kindergarten Academ	11,496	38,293	40,771	9,018	-	-	9,018
Shannon Johnson Elementary	19,355	61,221	61,164	19,412	-	-	19,412
Silver Creek Elemenary	21,991	23,758	26,603	19,146	-	-	19,146
Waco Elementary	10,273	26,194	26,105	10,362	-	-	10,362
White Hall Elementary	4,784	21,316	21,451	4,649	-	37	4,612
B. Michael Caudill Middle	66,917	117,526	114,882	69,561	-	-	69,561
Clark-Moores Middle	100,543	111,266	119,366	92,443	-	-	92,443
Farristown Middle	60,060	144,257	151,761	52,556	-	5,896	46,660
Foley Middle	37,361	88,813	91,226	34,948	-	812	34,136
Madison Middle	28,538	102,593	97,397	33,734	-	-	33,734
Madison Southern High	134,590	323,425	308,507	149,508	6,042	13,000	142,550
Madison Central High	390,750	830,827	755,955	465,622	225	-	465,847
Total School Activity Funds	\$ 964,693	\$ 2,071,611	\$ 1,989,918	\$ 1,046,386	\$ 6,267	\$ 20,048	\$ 1,032,605

MADISON COUNTY SCHOOL DISTRICT

Schedule of Assets, Cash Receipts and Disbursements, and Liabilities
 Madison Central High School
 For the Year Ended June 30, 2022

Activity	Cash			Cash			Due to Student Groups June 30, 2022
	Balances July 1, 2021	Receipts and Transfers	Disbursements and Transfers	Balances June 30, 2022	Receivables June 30, 2022	Payables June 30, 2022	
General Fund	\$ 81,544	\$ 221	\$ 4,559	\$ 77,206	\$ -	\$ -	\$ 77,206
Ballgame Change	-	5,000	5,000	-	-	-	-
Pass Program	2,428	6,370	2,529	6,269	-	-	6,269
Lost Textbooks	617	481	120	978	-	-	978
Fac-Staff Retirement Fund	291	-	-	291	-	-	291
Vending-Staff Drinks	778	1,499	1,145	1,132	-	-	1,132
Vending-Staff Snacks	432	383	194	621	-	-	621
Vending-Student Drinks	417	922	-	1,339	-	-	1,339
Vending-Student Snacks	793	4,278	1,596	3,475	-	-	3,475
Home Economics	-	-	-	-	-	-	-
Freshman Academy	1,568	2,438	3,292	714	-	-	714
Library Activities	3,370	285	1,202	2,453	-	-	2,453
Minority Student Council	-	710	-	710	-	-	710
Staffulty-Unity Club	1,192	3,383	3,246	1,329	-	-	1,329
The Tribe	-	-	-	-	-	-	-
Archery	-	4,360	4,360	-	-	-	-
Misc. Athletics	-	65,233	64,670	563	-	-	563
Advertisement-Athletics	6,694	30,620	1,500	35,814	-	-	35,814
Uniform Replacement	13,928	-	7,500	6,428	-	-	6,428
Gate Receipts	33,961	79,630	94,237	19,354	-	-	19,354
Baseball	-	3,950	3,950	-	-	-	-
Baseball Club	10	23,733	23,694	49	-	-	49
World Archery Acct	141	-	141	-	-	-	-
Bowling Team	29	1,558	1,587	-	-	-	-
District-Reg Tournaments	7,714	18,965	-	26,679	-	-	26,679
Boys Basketball	88	5,798	5,886	-	-	-	-
Boys Basketball Club	6,820	17,797	18,016	6,601	-	-	6,601
Girls Basketball	10	4,349	4,355	4	-	-	4
G/Basketball Club	4,576	18,769	16,025	7,320	225	-	7,545
Bowling Club	4,610	315	1,668	3,257	-	-	3,257
MCHS Rec	11,460	47,852	59,312	-	-	-	-
Cheer Club	3,433	101,360	103,771	1,022	-	-	1,022
Cheerleader Trip	603	64,654	58,309	6,948	-	-	6,948
Concession	1,000	27,578	28,578	-	-	-	-
Cross County, Boys	-	938	915	23	-	-	23
Cross County, Girls	-	938	915	23	-	-	23
B/G Cross Cty Club	11,030	8,690	8,174	11,546	-	-	11,546
Var Dance Club	1,182	70,670	64,006	7,846	-	-	7,846
Bass Anglers	13,137	5,210	5,605	12,742	-	-	12,742
Football	-	16,702	16,702	-	-	-	-
Football Club	5,211	26,626	25,064	6,773	-	-	6,773
Football Special Projects	-	17,211	4,120	13,091	-	-	13,091
Boys Golf	-	8,439	8,439	-	-	-	-
Boys Golf Club	140	22,185	22,325	-	-	-	-
Girls Golf	-	3,240	3,240	-	-	-	-
Girls Golf Club	8,915	21,212	27,695	2,432	-	-	2,432
Homecoming	-	2,368	2,020	348	-	-	348
Boys Soccer	-	570	365	205	-	-	205
Girls Soccer	-	295	295	-	-	-	-
Girls Soccer Club	8,212	6,798	9,105	5,905	-	-	5,905
Softball Travel	3,000	-	1,500	1,500	-	-	1,500
Softball	-	4,920	2,567	2,353	-	-	2,353
Softball Club	12,134	12,160	13,760	10,534	-	-	10,534
Swimming	-	2,500	2,500	-	-	-	-
Swimming Club	1,281	16,197	13,659	3,819	-	-	3,819
Wrestling Club	5,267	8,319	9,811	3,775	-	-	3,775
Tennis	12	1,000	994	18	-	-	18
Tennis Club	1,714	1,600	2,832	482	-	-	482
Tournaments	8,997	-	-	8,997	-	-	8,997
Wrestling	-	2,450	2,433	17	-	-	17
Boys Track	-	1,000	727	273	-	-	273
B/G Track Club	15,257	21,500	14,831	21,926	-	-	21,926
Girls Track	-	1,000	607	393	-	-	393
Girls Track Club	-	-	-	-	-	-	-
Volleyball	-	5,717	5,717	-	-	-	-

MADISON COUNTY SCHOOL DISTRICT

Schedule of Assets, Cash Receipts and Disbursements, and Liabilities

Madison Central High School

For the Year Ended June 30, 2022

(Continued)

Volleyball Club	4,602	21,895	16,583	9,914	-	-	9,914
Archery Club	3,778	11,210	13,540	1,448	-	-	1,448
Academic Team	160	-	-	160	-	-	160
Art Club	61	-	-	61	-	-	61
Tribal Treats	-	-	-	-	-	-	-
Band Club	180	-	-	180	-	-	180
Choral Music	13,749	13,536	9,397	17,888	-	-	17,888
Dabs	216	-	-	216	-	-	216
Book Club	731	-	-	731	-	-	731
Drama Club	787	-	-	787	-	-	787
FCA	400	-	-	400	-	-	400
FFA Club	9,755	15,369	13,091	12,033	-	-	12,033
FCCLA	640	390	541	489	-	-	489
French Club	-	-	-	-	-	-	-
Broadcast Journalism	884	-	-	884	-	-	884
Success Workstudy	381	-	-	381	-	-	381
JROTC Club	2,887	16,723	19,482	128	-	-	128
Kims Kiddos	-	-	-	-	-	-	-
Junior Class	21,668	25,081	15,060	31,689	-	-	31,689
Latin Club	205	-	29	176	-	-	176
Project Santa	894	300	-	1,194	-	-	1,194
Humane Society Club	349	-	-	349	-	-	349
Musical Theatre	10,347	32,264	17,019	25,592	-	-	25,592
National Honor Society	221	2,225	1,385	1,061	-	-	1,061
First Priority	291	-	-	291	-	-	291
Pep Club	1,141	251	335	1,057	-	-	1,057
Science Club	3	-	-	3	-	-	3
Cience Olympiad	645	500	915	230	-	-	230
Dungeons And Dragons	38	-	-	38	-	-	38
Teen Task Force	-	1,864	1,672	192	-	-	192
Sophomore Class	6,792	1,570	1,440	6,922	-	-	6,922
Soul	-	-	-	-	-	-	-
Spanish Club	902	-	90	812	-	-	812
Spanish Honor Society	74	-	50	24	-	-	24
HOSA	-	4,147	2,203	1,944	-	-	1,944
T.E.A.M	319	-	-	319	-	-	319
Terry L. Wells Interest	4,020	-	-	4,020	-	-	4,020
Together As One	388	-	209	179	-	-	179
Yearbook	11,749	70	307	11,512	-	-	11,512
Math Club	-	-	-	-	-	-	-
Senior Class	1,694	843	1,464	1,073	-	-	1,073
Technology Student Assoc.	-	-	-	-	-	-	-
Mock Trial	84	-	-	84	-	-	84
The H.O.O.D.	30	-	-	30	-	-	30
Express Yourself Clearly	1,222	-	135	1,087	-	-	1,087
Tribal Threads	642	65	-	707	-	-	707
Rotary Ineract Club	244	-	-	244	-	-	244
CIA	1,507	-	50	1,457	-	-	1,457
Key Club	1,236	210	211	1,235	-	-	1,235
STLP	-	-	-	-	-	-	-
Young Republican Club	-	-	-	-	-	-	-
T.E.R.R.A.	450	-	50	400	-	-	400
Recording Arts Club	-	-	-	-	-	-	-
Young Democrats	42	-	-	42	-	-	42
Piano Lab	57	-	57	-	-	-	-
AAMMP	30	-	-	30	-	-	30
Monday Morning Men	-	-	-	-	-	-	-
GSA	96	-	-	96	-	-	96
MCHS Dance Blue	92	7,056	6,994	154	-	-	154
General - Dist Activity	71	69,740	69,709	102	-	-	102
Library - Dist Activity	-	-	-	-	-	-	-
Athletic - Dist Activity	-	-	-	-	-	-	-
Field Trip - Dist Activity	-	-	-	-	-	-	-
Subtotal	390,750	1,058,255	983,383	465,622	225	-	465,847
Interfund Transfers	-	227,428	227,428	-	-	-	-
Total	\$ 390,750	\$ 830,827	\$ 755,955	\$ 465,622	\$ 225	\$ -	\$ 465,847

MADISON COUNTY SCHOOL DISTRICT

Schedule of Assets, Cash Receipts and Disbursements, and Liabilities
 Madison Southern High School
 For the Year Ended June 30, 2022

Activity	Cash Balances July 1, 2021	Receipts and Transfers	Disbursements and Transfers	Cash Balances June 30, 2022	Receivables June 30, 2022	Payables June 30, 2022	Due to Student Groups June 30, 2022
Interest	\$ 178	\$ -	\$ 84	\$ 94	\$ -	\$ -	\$ 94
General	2,318	154	223	2,249	-	-	2,249
Vending Teachers Workroom	3,748	569	179	4,138	-	-	4,138
Vending	12,133	4,003	750	15,386	-	-	15,386
Hospitality	200	-	-	200	-	-	200
Charities	612	1,052	1,479	185	-	-	185
Eagle Nest	823	-	42	781	-	-	781
Renaissance	2,726	-	-	2,726	-	-	2,726
Academic Team	523	-	-	523	-	-	523
Business	475	745	302	918	-	-	918
Beta Club	393	-	-	393	-	-	393
Hosa Club	1,453	3,064	3,277	1,240	-	-	1,240
AHC	18	-	18	-	-	-	-
Environthon Club	208	-	136	72	-	-	72
Drama Club	2,206	7,153	1,571	7,788	-	-	7,788
FCA	481	-	287	194	-	-	194
FFA	9,151	23,816	31,580	1,387	-	-	1,387
FCCLA	513	6,296	5,232	1,577	-	-	1,577
Freshman Class	310	-	-	310	-	-	310
Thespian	2,240	-	606	1,634	-	-	1,634
Mad Swigs	12	-	-	12	-	-	12
Senior Class	764	6,296	6,036	1,024	-	-	1,024
Newspapaer	2,691	780	1,485	1,986	-	-	1,986
Key Club	16	-	-	16	-	-	16
Pep Club	33	805	768	70	-	-	70
Youth Service Center	601	-	23	578	-	-	578
Spanish Club	124	-	-	124	-	-	124
TSA	3,667	265	2,340	1,592	-	-	1,592
Homecoming	941	140	1,005	76	-	-	76
Yearbook	18,144	8,625	5,824	20,945	-	13,000	7,945
Tri M Honor Music Society	7	-	-	7	-	-	7
Studnt Council	144	-	36	108	-	-	108
AFJROTC	3,262	16,069	17,879	1,452	5,770	-	7,222
Prom	12,282	19,332	13,774	17,840	-	-	17,840
Athletic Dept	24,716	48,506	41,707	31,515	-	-	31,515
Letter Jackets	-	14,708	14,708	-	-	-	-
Start Up	-	9,500	9,500	-	-	-	-
Archery	3,730	18,425	20,540	1,615	-	-	1,615
Baseball Boys	37	-	-	37	-	-	37
Baseball Girls	184	-	-	184	-	-	184
Basketball Boys	150	-	130	20	-	-	20
Basketball Girls	146	-	140	6	-	-	6
Bass Team	6,275	119	1,983	4,411	-	-	4,411
Bowling	-	659	560	99	-	-	99
Football	513	-	-	513	-	-	513
Soccer Boys	65	-	-	65	-	-	65
Soccer Girls	90	-	-	90	-	-	90
Swim Team	375	2,707	1,846	1,236	-	-	1,236
Track, Boys	13	-	-	13	-	-	13
Cross Country	9	-	-	9	-	-	9
Tennis	789	1,389	876	1,302	-	-	1,302
Cheerleaders	43	-	-	43	-	-	43
Dance	33	300	138	195	-	-	195
Golf Boys	-	5,308	5,308	-	-	-	-
Golf Girls	-	10,073	5,617	4,456	-	-	4,456
Volleyball	3	-	-	3	-	-	3
Art Club	523	-	236	287	-	-	287
Band	235	-	126	109	-	-	109
Techno Club	1,043	-	201	842	-	-	842
FMD Program	394	1,715	1,168	941	-	-	941
Greenhouse	5,000	5,036	5,036	5,000	-	-	5,000
Culinary Catering	1,506	-	1,426	80	-	-	80
Library	193	250	-	443	-	-	443
Vocal Music	1,419	10,331	7,247	4,503	-	-	4,503
Eagle Graphics	3,112	-	-	3,112	-	-	3,112
AFJROTC Logistical Support	597	5,669	5,512	754	272	-	1,026
General - Dist Activity	-	34,855	34,855	-	-	-	-
Library - Dist Activity	-	1,229	1,229	-	-	-	-
Athletic - Dist Activity	-	56,097	56,097	-	-	-	-
Subtotal	134,590	326,040	311,122	149,508	6,042	13,000	142,550
Interfund Transfers	-	2,615	2,615	-	-	-	-
Total	\$ 134,590	\$ 323,425	\$ 308,507	\$ 149,508	\$ 6,042	\$ 13,000	\$ 142,550

MADISON COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program Title/Subtitle	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
<u>UNITED STATES DEPARTMENT OF AGRICULTURE</u>				
Child Nutrition Cluster -				
Passed Through Kentucky Department of Education: School Breakfast Program	10.553	7760005-21 7760005-22	\$ - -	\$ 377,693 1,401,843
			-	1,779,536
Passed Through Kentucky Department of Education: Summer Food Service Program for Children	10.559	7690024-21 7740023-21	- -	9,676 197,266
			-	206,942
Passed Through Kentucky Department of Education: National School Lunch Program	10.555	7750002-21 7750002-22	- -	916,372 4,610,361
			-	5,526,733
Non-Cash Assistance (Commodities) National School Lunch Program	10.555	4002806	-	676,773
TOTAL CHILD NUTRITION CLUSTER			-	8,189,984
Passed Through Kentucky Department of Education: Child and Adult Care Food Program	10.558	7790021-21 7800016-21 7980000-21 7790021-22 7800016-22	- - - - -	69,778 4,957 116,628 405,393 28,798
			-	625,554
State Administrative Expenses for Child Nutrition	10.560	7700001-20	-	10,776
Pandemic EBT Administrative Costs	10.649	9990000	-	5,814
TOTAL UNITED STATES DEPARTMENT OF AGRICULTURE			-	8,832,128
<u>UNITED STATES DEPARTMENT OF DEFENSE</u>				
National Guard Civilian Youth Opportunities	12.000	Direct	-	88,705
TOTAL UNITED STATES DEPARTMENT OF DEFENSE			-	88,705
<u>UNITED STATES DEPARTMENT OF EDUCATION</u>				
Special Education Cluster -				
Passed Through Kentucky Department of Education: Special Education Grants to States	84.027A	3810002-20 3810002-21	- -	602,175 2,098,545
Passed Through Kentucky Department of Education: Special Education Grants to States	84.027X	4910002-21	-	271,762
Passed Through Kentucky Department of Education: Special Education Preschool Grants	84.173A	3800002-20 3800002-21	- -	25,317 74,143
TOTAL SPECIAL EDUCATION CLUSTER			-	3,071,942
Passed Through Kentucky Department of Education: Title I Grants to Local Educational Agencies	84.010A	3100002-18 3100002-19 3100002-20 3100002-21	- - - -	1,680 3,610 1,390,819 2,471,525
			-	3,867,634
Passed Through Kentucky Department of Education: Migrant Education State Grant Program	84.011A	3110002-20 3110002-21	- -	118,092 144,507
			-	262,599
Passed Through Kentucky Department of Education: Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013A	S013A200017	-	23,500

The accompanying notes are an integral part of this schedule.

MADISON COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022
(Continued)

Passed Through Kentucky Department of Education: Career and Technical Education -- Basic Grants to States	84.048	3710002-20 3710002-21	- -	23,129 81,839
			<u>-</u>	<u>104,968</u>
Passed Through Kentucky Department of Education: Rehabilitation Services - Vocational Rehabilitation	84.126A	3800002-18 3800002-19 3800002-20 3800002-21	- - - -	21,023 52,990 8,553 26,377
			<u>-</u>	<u>108,943</u>
Passed Through Kentucky Department of Education: Individuals With Disabilities Education Act/American Rescue Plan Act of 2021 (ARP)	84.173X	4900002-21	-	34,680
Passed Through Save The Children Federation, Inc. Twenty-First Century Community Learning Centers	84.287C	999033438, 999003439	-	194,845
Passed through Berea College Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	P334A180018A-21 P334A180018A-22	- -	40,990 625,506
			<u>-</u>	<u>666,496</u>
Passed Through Kentucky Department of Education: English Language Acquisition State Grants	84.365A	3300002-19 3300002-20	- -	1,390 29,410
			<u>-</u>	<u>30,800</u>
Passed Through Kentucky Department of Education: Student Support and Academic Enrichment Program	84.424A	3420002-19 3420002-20 3420002-21	- - -	10 4,986 218,462
			<u>-</u>	<u>223,458</u>
Passed Through Kentucky Division of Family Resource And Youth Service Centers Education Stabilization Fund Governor's Emergency Education Relief Fund	84.425C	CARE-20 147	-	14,678
Passed Through Kentucky Department of Education: Education Stabilization Fund Governor's Emergency Education Relief Fund		CARE-20 4000002-20 CARE-20 4200002-21	- -	7,654 1,646
			<u>-</u>	<u>23,978</u>
Passed Through Kentucky Department of Education: Elementary and Secondary School Emergency Relief	84.425D	4200002-21 4200003-21	- -	4,490,344 146,414
			<u>-</u>	<u>4,636,758</u>
Passed Through Kentucky Department of Education:	84.425U	4300003-21 4300005-21 4300002-21	- - -	10,301 94,579 5,831,065
			<u>-</u>	<u>5,935,945</u>
Total Education Stabilization Fund			<u>-</u>	<u>10,596,681</u>
TOTAL UNITED STATES DEPARTMENT OF EDUCATION			<u>-</u>	<u>19,186,546</u>
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES Passed Through Kentucky Department of Education: Cooperative Agreements To Promote Adolescent Health Through School-Based HIV/STD Prevention And School-Based S	93.079	2100001	-	2,800
TOTAL UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>-</u>	<u>2,800</u>
UNITED STATES DEPARTMENT OF HOMELAND SECURITY Passed through Madison County Fiscal Court Chemical Stockpile Emergency Preparedness Program	97.040	N/A	-	285,000
TOTAL UNITED STATES DEPARTMENT OF HOMELAND SECURITY			<u>-</u>	<u>\$ 285,000</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ -</u>	<u>\$ 28,395,179</u>

The accompanying notes are an integral part of this schedule.

MADISON COUNTY SCHOOL DISTRICT

Notes to the Schedule of Expenditures of Federal Awards Year Ended June 30, 2022

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes federal grant activity of the Madison County School District under the programs of the federal government for the year ended June 30, 2022. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Madison County School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

Note 2. Significant Accounting Policies

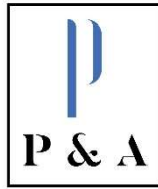
Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represents adjustment or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Note 3. Food Distribution

Nonmonetary assistance is reported in the schedule at the fair value of the commodities received and disbursed. For the year ended June 30, 2022, the District received food commodities totaling \$676,773.

Note 4. Indirect Cost Rate

The Madison County School District has not elected to use the 10-percent de minimis cost rate allowed under Uniform Guidance.



PATRICK & ASSOCIATES, LLC

124 Candlewood Drive
Winchester, KY 40391

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
Board of Education of the Madison County School District
Richmond, KY

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Controller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract, Including Appendix II Instructions for Submissions of the Audit Report*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Madison County School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Madison County School District's basic financial statements, and have issued our report thereon dated November 10, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Madison County School District's internal control over financial report (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Madison County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Madison County School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Madison County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

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

Johnny R. Patrick, CPA

Patrick & Associates, LLC

Winchester, KY

November 10, 2022



PATRICK & ASSOCIATES, LLC

124 Candlewood Drive
Winchester, KY 40391

Independent Auditor's Report On Compliance for Each Major Program And On Internal Control Over Compliance Required by the Uniform Guidance

Kentucky State Committee for School District Audits
Board of Education of the Madison County School District
Richmond, KY

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Madison County School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Madison County School District's major federal programs for the year ended June 30, 2022. Madison County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Madison County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the audit requirements prescribed by the Kentucky state committee for School District Audits in the *Independent Auditor's Contract, Including Appendix II – Instruction for Submissions of the Audit Report*. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Madison County School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Madison County School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Madison County School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Madison County School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and there is not a guarantee that an audit conducted in accordance with generally accepted audit standards, *Government Auditing Standards*, and the Uniform Guidance and the Independent Auditor's contract will always detect material noncompliance when it exists. The risk of not detecting material

noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Madison County School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, The Uniform Guidance and the Independent Auditor's Contract, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Madison County School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding Madison County School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Madison County School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

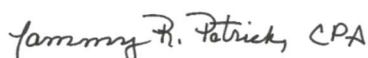
Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any efficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that tested based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Patrick & Associates, LLC

Winchester, KY

November 10, 2022

Schedule of Findings and Questioned Costs

SUMMARY OF AUDITOR’S RESULTS

What type of report was issued for the financial statements?	Unmodified
Were there significant deficiencies in internal control disclosed?	None Reported
If so, was any significant deficiencies material (GAGAS)?	
Was any material noncompliance reported (GAGAS)?	No
Were there material weaknesses in internal control disclosed for major programs?	No
Were there any significant deficiencies in internal control disclosed that were not considered to be material weaknesses?	None Reported
What type or report was issued on compliance for major programs?	Unmodified
Did the audit disclose findings as it related to major programs that are required to be reported as described in Uniform Guidance?	No
Major Programs	Child Nutrition Cluster [Federal Assistance Number 10.553, 10.555, 10.559] Education Stabilization Fund [Federal Assistance Number 84.425C, 84.425D, 84.425U]
Dollar threshold of Type A and B programs?	\$851,855
Did the auditee qualify as low-risk?	Yes

FINDINGS – FINANCIAL STATEMENT AUDIT

No findings at the financial statement level.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAMS AUDIT

No major federal award findings

SUMMARY SCHEDULE – PRIOR YEAR AUDIT FINDINGS

FINDINGS – FINANCIAL STATEMENT AUDIT

There were no prior year findings

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no prior year findings.