

**DATED JANUARY 5, 2021**

**NEW ISSUE**

**Electronic Bidding via Parity®  
NOT Bank Interest Deduction Eligible  
BOOK-ENTRY-ONLY SYSTEM**

**RATING  
Moody's: " "**

*In the opinion of Bond Counsel, under existing law (i) interest on the Bonds will be excludable from gross income of the holders thereof for purposes of federal taxation and (ii) interest on the Bonds will not be a specific item of tax preference for purposes of the federal alternative minimum tax, all subject to the qualifications described herein under the heading "Tax Exemption." The Bonds and interest thereon are exempt from income taxation and ad valorem taxation by the Commonwealth of Kentucky and its political subdivisions thereof (see "Tax Exemption" herein).*

**\$2,495,000\***  
**MADISON COUNTY SCHOOL DISTRICT FINANCE CORPORATION  
SCHOOL BUILDING REFUNDING REVENUE BONDS,  
SERIES OF 2021**

**Dated with Delivery: February 10, 2021**

**Due: as shown below**

Interest on the Bonds is payable each April 1 and October 1, beginning October 1, 2021. The Bonds will mature as to principal on April 1, 2022 as shown below. The Bonds are being issued in Book-Entry-Only Form and will be available for purchase in principal amounts of \$5,000 and integral multiples thereof.

<b>Maturing 1-Apr</b>	<b>Amount</b>	<b>Interest Rate</b>	<b>Reoffering Yield</b>	<b>CUSIP</b>	<b>Maturing 1-Apr</b>	<b>Amount</b>	<b>Interest Rate</b>	<b>Reoffering Yield</b>	<b>CUSIP</b>
2022	\$105,000	%	%	%	2027	\$330,000	%	%	%
2023	\$110,000	%	%	%	2028	\$335,000	%	%	%
2024	\$110,000	%	%	%	2029	\$345,000	%	%	%
2025	\$115,000	%	%	%	2030	\$350,000	%	%	%
2026	\$325,000	%	%	%	2031	\$370,000	%	%	%

The Bonds are subject to redemption prior to their stated maturity as described herein.

Notwithstanding the foregoing, the Corporation reserves the right to call, upon thirty (30) days notice, the Bonds in whole or in part on any date for redemption upon the total destruction by fire, lightning, windstorm or other hazard of any of the building(s) constituting the Project(s) and apply casualty insurance proceeds to such purpose.

The Bonds constitute a limited indebtedness of the Madison County School District Finance Corporation and are payable from and secured by a pledge of the gross income and revenues derived by leasing the Project (as hereinafter defined) on an annual renewable basis to the Madison County Board of Education.

The Madison County (Kentucky) School District Finance Corporation will until January 13, 2021 at 1:00 P.M., E.S.T., receive competitive bids for the Bonds at the office of the Executive Director of the Kentucky School Facilities Construction Commission, 700 Louisville Road, Carriage House, Frankfort, Kentucky 40601.

**\*As set forth in the "Official Terms and Conditions of Bond Sale," the principal amount of Bonds sold to the successful bidder is subject to a Permitted Adjustment by increasing or decreasing the amount not to exceed \$250,000.**

**PURCHASER'S OPTION:** The Purchaser of the Bonds, within 24 hours of the sale, may specify to the Financial Advisor that any Bonds may be combined immediately succeeding sequential maturities into a Term Bond(s), bearing a single rate of interest, with the maturities set forth above (or as may be adjusted as provided herein) being subject to mandatory redemption in such maturities for such Term Bond(s).

The Bonds will be delivered utilizing the BOOK-ENTRY-ONLY-SYSTEM administered by The Depository Trust Company.

The Corporation deems this preliminary Official Statement to be final for purposes of the Securities and Exchange Commission Rule 15c2-12(b)(1), except for certain information on the cover page hereof which has been omitted in accordance with such Rule and which will be supplied with the final Official Statement.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sales of these Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the laws of any such jurisdiction.



**MADISON COUNTY, KENTUCKY  
BOARD OF EDUCATION**

Samantha Burford, Chairman  
Becky Coyle, Member  
Lori Cobb, Member  
Brandon Rutherford, Member  
Beth Brock, Member

David Gilliam, Superintendent/Secretary

**MADISON COUNTY SCHOOL DISTRICT  
FINANCE CORPORATION**

Samantha Burford, President  
Becky Coyle, Member  
Lori Cobb, Member  
Brandon Rutherford, Member  
Beth Brock, Member

David Gilliam, Secretary  
Mark Woods, Treasurer

**BOND COUNSEL**

Steptoe & Johnson PLLC  
Louisville, Kentucky

**FINANCIAL ADVISOR**

RSA Advisors, LLC  
Lexington, Kentucky

**PAYING AGENT AND REGISTRAR**

U.S. Bank, National Association  
Louisville, Kentucky

**BOOK-ENTRY-ONLY-SYSTEM**

## REGARDING USE OF THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the original offering of the Madison County School District Finance Corporation School Building Refunding Revenue Bonds, Series of 2021, identified on the cover page hereof. No person has been authorized by the Corporation or the Board to give any information or to make any representation other than that contained in the Official Statement, and if given or made such other information or representation must not be relied upon as having been given or authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of the Bonds by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Corporation or the Board since the date hereof.

Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency, except the Corporation will pass upon the accuracy or adequacy of this Official Statement or approve the Bonds for sale.

The Official Statement includes the front cover page immediately preceding this page and all Appendices hereto.

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**OFFICIAL STATEMENT  
Relating to the Issuance of**

**\$2,495,000\***

**MADISON COUNTY SCHOOL DISTRICT FINANCE CORPORATION  
SCHOOL BUILDING REFUNDING REVENUE BONDS,  
SERIES OF 2021**

*\*Subject to Permitted Adjustment*

**INTRODUCTION**

The purpose of this Official Statement, which includes the cover page and Appendices hereto, is to set forth certain information pertaining to the Madison County School District Finance Corporation (the "Corporation") School Building Refunding Revenue Bonds, Series of 2021 (the "Bonds").

The Bonds are being issued to (i) pay the accrued interest and refund on a current basis on April 1, 2021 the outstanding Madison County School District Finance Corporation School Building Revenue Bonds, Series of 2011, dated April 1, 2011 (the "2011 Bonds") maturing April 1, 2022 and thereafter (the "Refunded Bonds"); and (ii) pay the cost of the Bond issuance expenses (see "Plan of Refunding" herein). The Board has determined that the plan of refunding the Refunded Bonds will result in considerable interest cost savings to the Madison County School District (the "District") and is in the best interest of the District.

The Bonds are revenue bonds and constitute a limited indebtedness of the Corporation. The Bonds will be secured by a lien and a pledge of the rental income derived by the Corporation from leasing the Projects (as hereinafter defined) to the Madison County Board of Education (the "Board") on a year to year basis (see "Security" herein).

All financial and other information presented in this Official Statement has been provided by the Madison County Board of Education from its records, except for information expressly attributed to other sources. The presentation of financial and other information is not intended, unless specifically stated, to indicate future or continuing trends in the financial position or other affairs of the Board. No representation is made that past experience, as is shown by financial and other information, will necessarily continue or be repeated in the future.

This Official Statement should be considered in its entirety, and no one subject discussed should be considered more or less important than any other by reason of its location in the text. Reference should be made to laws, reports or other documents referred to in this Official Statement for more complete information regarding their contents.

Copies of the Bond Resolution authorizing the issuance of the Bonds and the Lease Agreement, dated February 10, 2021, may be obtained at the office of Steptoe & Johnson PLLC, Bond Counsel, 700 N. Hurstbourne Parkway, Suite 115, Louisville, Kentucky 40222.

**BOOK-ENTRY-ONLY-SYSTEM**

The Bonds shall utilize the Book-Entry-Only-System administered by The Depository Trust Company ("DTC").

The following information about the Book-Entry only system applicable to the Bonds has been supplied by DTC. Neither the Corporation nor the Paying Agent and Registrar makes any representations, warranties or guarantees with respect to its accuracy or completeness.

DTC will act as securities depository for the Bonds. The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent and Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Corporation or the Paying Agent and Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such Participant and not of DTC or its nominee, the Paying Agent and Registrar or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and interest payments to Cede & Co. (or such other nominee as

may be requested by an authorized representative of DTC) is the responsibility of the Corporation or the Paying Agent and Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice the Corporation or the Paying Agent and Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered. The Corporation may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's Book-Entry system has been obtained from sources that the Corporation believes to be reliable but the Corporation takes no responsibility for the accuracy thereof.

## **THE CORPORATION**

The Corporation has been formed in accordance with the provisions of Sections 162.120 through 162.300 and Section 162.385 of the Kentucky Revised Statutes ("KRS"), and KRS Chapter 273 and KRS 58.180, as a non-profit, non-stock corporation for the purpose of financing necessary school building facilities for and on behalf of the Board. Under the provisions of existing Kentucky law, the Corporation is permitted to act as an agency and instrumentality of the Board for financing purposes and the legality of the financing plan to be implemented by the Board herein referred to has been upheld by the Kentucky Court of Appeals (Supreme Court) in the case of White v. City of Middlesboro, Ky. 414 S.W.2d 569.

Any bonds, notes or other indebtedness issued or contracted by the Corporation shall, prior to the issuance or incurrence thereon, be specifically approved by the Board. The members of the Board of Directors of the Corporation are the members of the Board. Their terms expire when they cease to hold the office and any successor members of the Board are automatically members of the Corporation upon assuming their public offices.

## **KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION**

The Kentucky School Facilities Construction Commission (the "Commission") is an independent corporate agency and instrumentality of the Commonwealth of Kentucky established pursuant to the provisions of KRS Sections 157.611 through 157.640, as amended, repealed and reenacted (the "Act") for the purpose of assisting local school districts in meeting the school construction needs of the Commonwealth in a manner which will ensure an equitable distribution of funds based upon unmet need.

The General Assembly of the Commonwealth adopted the State's Budget for the biennium ending June 30, 2020. Inter alia, the Budget provides \$129,504,400 in FY 2018-19 and \$128,672,400 in FY 2019-20 to pay debt service on existing and future bond issues; \$58,000,000 of the Commission's previous Offers of Assistance made during the last biennium; and authorizes \$58,000,000 in additional Offers of Assistance for the current biennium to be funded in the Budget for the biennium ending June 30, 2022.

The 1986, 1988, 1990, 1992, 1994, 1996, 1998, 2000, 2003, 2005, 2006, 2008, 2010, 2012, 2014, 2016, 2018 and 2020 Regular Sessions of the Kentucky General Assembly appropriated funds to be used for debt service of participating school districts. The appropriations for each biennium are shown in the following table:

<u>Biennium</u>	<u>Appropriation</u>
1986-88	\$18,223,200
1988-90	14,050,700
1990-92	13,542,800
1992-94	3,075,300
1994-96	2,800,000
1996-98	4,996,000
1998-00	12,141,500
2000-02	8,100,000
2002-04	9,500,000
2004-06	14,000,000
2006-08	9,000,000
2008-10	10,968,000
2010-12	12,656,200
2012-14	8,469,200
2014-16	8,764,000
2016-18	23,019,400
2018-20	7,608,000
2020-21	<u>2,946,900</u>
Total	\$183,861,200

### **BIENNIAL BUDGET FOR PERIOD ENDING JUNE 30, 2022**

The Kentucky General Assembly is required by the Kentucky Constitution to adopt measures providing for the state's revenues and appropriations for each fiscal year. The Governor is required by law to submit a biennial State Budget (the "State Budget") to the General Assembly during the legislative session held in each even numbered year. State Budgets have generally been adopted by the General Assembly during those legislative sessions, which end in mid-April, to be effective upon the Governor's signature for appropriations commencing for a two-year period beginning the following July 1.

In the absence of a legislatively enacted budget, the Supreme Court has ruled the Governor has no authority to spend money from the state treasury except where there is a statutory, constitutional or federal mandate and the Commonwealth may be prevented from expending funds for certain state governmental functions, including the ability to pay principal of, premium, if any, and interest, when due, on obligations that are subject to appropriation.

Due to the unforeseen nature on the economy of the Commonwealth caused by the COVID-19 pandemic, in its 2020 regular session, the General Assembly adopted only a one-year budget for the biennial period ending June 30, 2022 which was approved and signed by the Governor. The biennial budget will be reviewed and supplemented during the General Assembly's 2021 regular session. Such budget became effective beginning July 1, 2020. The Office of the State Budget Director makes available on its website monthly updates to the General Fund receipts and other Funds of the commonwealth. When published, the updates can be found at [www.osbd.ky.gov](http://www.osbd.ky.gov).

### **OUTSTANDING BONDS**

The following table shows the outstanding Bonds of the Board by the original principal amount of each issue, the current principal outstanding, the amount of the original principal scheduled to be paid with the corresponding interest thereon by the Board or the School Facilities Construction Commission, the approximate interest range; and, the final maturity date of the Bonds:



<b>Bond Series</b>	<b>Original Principal</b>	<b>Current Principal Outstanding</b>	<b>Principal Assigned to Board</b>	<b>Principal Assigned to Commission</b>	<b>Approximate Interest Rate Range</b>	<b>Final Maturity</b>
2008B	\$7,585,000	\$1,345,000	\$7,430,875	\$154,125	4.500% - 4.625%	2022
2010-REF	\$10,295,000	\$935,000	\$9,379,080	\$915,920	2.500%	2021
2011	\$4,040,000	\$2,600,000	\$4,040,000	\$0	3.100% - 4.375%	2031
2013-REF	\$13,500,000	\$5,280,000	\$13,500,000	\$0	2.000% - 2.375%	2024
2014-REF	\$10,795,000	\$6,450,000	\$10,795,000	\$0	2.500% - 3.000%	2025
2014	\$10,495,000	\$8,495,000	\$5,384,901	\$5,110,099	3.000% - 3.625%	2034
2015	\$9,365,000	\$8,115,000	\$9,365,000	\$0	3.000% - 3.750%	2035
2016-REF	\$24,900,000	\$20,055,000	\$22,881,365	\$2,018,635	2.250% - 5.000%	2030
2016B-REF	\$27,790,000	\$23,590,000	\$27,647,363	\$142,637	2.000% - 4.000%	2028
2017	\$11,160,000	\$10,260,000	\$8,338,589	\$2,821,411	3.000% - 3.250%	2037
2020	\$17,350,000	\$17,350,000	\$17,350,000	\$0	2.00%	2040
2021	\$9,895,000	\$9,895,000	\$7,804,733	\$2,090,267	1.250% - 2.000%	2041
<b>TOTALS:</b>	<b>\$157,170,000</b>	<b>\$114,370,000</b>	<b>\$143,916,906</b>	<b>\$13,253,094</b>		

### **AUTHORITY**

The Board of Directors of the Corporation has adopted a Bond Resolution which authorized among other things:

- i) the issuance of approximately \$2,495,000 of Bonds subject to a permitted adjustment of \$250,000;
- ii) the advertisement for the public sale of the Bonds;
- iii) the Official Terms and Conditions for the sale of the Bonds to the successful bidder; and,
- iv) the President and Secretary of the Corporation to execute certain documents relative to the sale and delivery of the Bonds.

### **THE BONDS**

#### **General**

The Bonds will be dated February 10, 2021, will bear interest from that date as described herein, payable semi-annually on April 1 and October 1 of each year, commencing October 1, 2021, and will mature as to principal on April 1, 2022 and each April 1 thereafter in the years and in the principal amounts as set forth on the cover page of this Official Statement.

#### **Registration, Payment and Transfer**

The Bonds are to be issued in fully-registered form (both principal and interest). U.S. Bank, National Association, Louisville, Kentucky, the Bond Registrar and Paying Agent, shall remit interest on each semiannual due date to Cede & Co., as the nominee of The Depository Trust Company. Please see Book-Entry-Only-System. Interest on the Bonds will be paid at rates to be established upon the basis of competitive bidding as hereinafter set forth, such interest to be payable on April 1 and October 1 of each year, beginning October 1, 2021 (Record Date is 15th day of month preceding interest due date).

#### **Redemption**

The Bonds maturing on or after April 1, 2029 are subject to redemption at the option of the Corporation prior to their stated maturity on any date falling on or after April 1, 2028, in any order of maturities (less than all

of a single maturity to be selected by lot), in whole or in part, upon notice of such prior redemption being given by the Paying Agent in accordance with DTC requirements not less than thirty (30) days prior to the date of redemption, upon terms of the face amount, plus accrued interest, but without redemption premium.

<b>Redemption Date</b>	<b>Redemption Price</b>
April 1, 2028 and thereafter	100%

Notwithstanding the foregoing, the Corporation reserves the right, upon thirty (30) days notice, to call the Bonds in whole or in part for redemption on any day at par upon the total destruction by fire, lightning, windstorm or other hazard of any of the building(s) constituting the Project(s) and apply casualty insurance proceeds to such purpose.

## **SECURITY**

### **General**

The Bonds are revenue bonds and constitute a limited indebtedness of the Corporation. The Bonds are payable as to both principal and interest solely from the income and revenues derived from the leasing of the Project financed from the Bond proceeds from the Corporation to the Board. The Bonds are secured by a pledge of revenue on and from the Project; provided, however, said lien and pledge are on parity with the liens and pledges securing the Corporation's outstanding School Building Revenue Bonds issued to improve the building in which the Project is located.

### **The Lease; Pledge of Rental Revenues**

The Board has leased the school Project securing the Bonds for an initial period from February 10, 2021 through June 30, 2021 with the option in the Board to renew said Lease from year to year for one year at a time, at annual rentals, sufficient in each year to enable the Corporation to pay, solely from the rental due under the Lease, the principal and interest on all of the Bonds as same become due. The Lease provides further that so long as the Board exercises its annual renewal options, its rentals will be payable according to the terms and provisions of the Lease until April 1, 2031, the final maturity date of the Bonds. Under the lease, the Corporation has pledged the rental revenue to the payment of the Bonds.

## **STATE INTERCEPT**

Under the terms of the 2021 Lease, and any renewal thereof, the Board has agreed so long as the Bonds remain outstanding, and in conformance with the intent and purpose of KRS 160.160(5), in the event of a failure by the Board to pay the rentals due under the 2021 Lease, and unless sufficient funds have been transmitted to the Paying Agent, or will be so transmitted, for paying said rentals when due, the Board has granted under the terms of the 2021 Lease to the Corporation the right to notify and request the Kentucky Department of Education to withhold from the Board a sufficient portion of any undisbursed funds then held, set aside, or allocated to the Board and to request said Department or Commissioner of Education to transfer the required amount thereof to the Paying Agent for the payment of such rentals.

## **THE PLAN OF REFUNDING**

A sufficient amount of the proceeds of the Bonds at the time of delivery will be deposited into the Bond Fund for the Refunded Bonds. The Bond Fund deposit is intended to be sufficient to (i) pay the accrued interest and refund at or in advance of maturity all of the Madison County School District Finance Corporation School Building Revenue Bonds, Series of 2011, dated April 1, 2011, maturing April 1, 2022 and thereafter (the "Refunded Bonds") on April 1, 2021; and (ii) pay the cost of the Bond issuance expenses (see "Plan of Refunding"

herein). The Board has determined that the plan of refunding the Refunded Bonds will result in considerable interest cost savings to the Madison County School District (the "District") and is in the best interest of the District.

Any investments purchased for the Bond Fund shall be limited to (i) direct Obligations of or Obligations guaranteed by the United States government, or (ii) Obligations of agencies or corporations of the United States as permitted under KRS 66.480(1)(b) and (c) or (iii) Certificates of Deposit of FDIC banks fully collateralized by direct Obligations of or Obligations guaranteed by the United States.

The Plan of Refunding the Bonds of the Prior Issue as set out in the Preliminary Official Statement is tentative as to what Bonds of the Prior Issue shall be refunded and will not be finalized until the sale of the Refunding Bonds.

### PURPOSE OF THE PRIOR BONDS

The Refunded Bonds were issued by the Corporation for the purpose of providing funds to finance improvements at Madison Southern High and Clark Moores Middle Schools (the "Project").

### ESTIMATED BOND DEBT SERVICE

The following table shows by fiscal year the current bond payments of the Board. The plan of financing provides for the Board to meet 100% of the debt service of the Bonds.

Fiscal Year Ending June 30	Current Local Bond Payments	----- Series 2021 Refunding Revenue Bonds -----			Total Local Bond Payments
		Principal Portion	Interest Portion	Total Payment	
2021	\$9,620,368				\$9,620,368
2022	\$10,614,944	\$105,000	\$50,733	\$155,733	\$10,585,244
2023	\$10,618,926	\$110,000	\$43,073	\$153,073	\$10,584,881
2024	\$10,623,766	\$110,000	\$41,643	\$151,643	\$10,591,801
2025	\$10,624,110	\$115,000	\$40,213	\$155,213	\$10,594,225
2026	\$10,188,689	\$325,000	\$38,718	\$363,718	\$10,156,014
2027	\$9,960,232	\$330,000	\$33,843	\$363,843	\$9,930,082
2028	\$9,874,914	\$335,000	\$28,563	\$363,563	\$9,842,284
2029	\$8,226,782	\$345,000	\$22,365	\$367,365	\$8,196,689
2030	\$6,702,223	\$350,000	\$15,120	\$365,120	\$6,669,586
2031	\$4,144,005	\$370,000	\$7,770	\$377,770	\$4,114,713
2032	\$3,819,760				\$3,819,760
2033	\$3,825,351				\$3,825,351
2034	\$3,827,220				\$3,827,220
2035	\$3,835,139				\$3,835,139
2036	\$3,290,352				\$3,290,352
2037	\$2,473,864				\$2,473,864
2038	\$2,102,254				\$2,102,254
2039	\$1,753,803				\$1,753,803
2040	\$1,763,003				\$1,763,003
2041	\$1,761,404				\$1,761,404
<b>TOTALS:</b>	\$129,651,110	\$2,495,000	\$322,038	\$2,817,038	\$129,338,038

Note: Numbers Rounded to Nearest \$1.00.

**ESTIMATED USE OF BOND PROCEEDS**

The table below shows the estimated sources of funds and uses of proceeds of the Bonds, other than any portions thereof representing accrued interest:

<b>Sources:</b>	
Par Amount of Bonds	<u>\$2,495,000.00</u>
Total Sources	\$2,495,000.00
<b>Uses:</b>	
Deposit to Escrow Fund	\$2,435,570.00
Underwriter's Discount (1%)	24,950.00
Cost of Issuance	<u>34,480.00</u>
Total Uses	\$2,495,000.00

**DISTRICT STUDENT POPULATION**

Selected school census and average daily attendance for the Madison County School District is as follows:

<u>Year</u>	<u>Average Daily Attendance</u>
2000-01	8,106.1
2001-02	8,208.5
2002-03	8,345.2
2003-04	8,381.1
2004-05	8,769.2
2005-06	9,010.8
2006-07	9,296.1
2007-08	9,498.1
2008-09	9,585.2
2009-10	9,542.8
2010-11	9,925.8
2011-12	9,998.2
2012-13	10,031.0
2013-14	10,197.6
2014-15	10,417.5
2015-16	10,448.9
2016-17	10,535.7
2017-18	10,508.3
2018-19	10,449.7
2019-20	10,523.9

Source: Kentucky State Department of Education.

**STATE SUPPORT**

**Support Education Excellence in Kentucky (SEEK).** In determining the cost of the program to Support Education Excellence in Kentucky (SEEK), the statewide guaranteed base funding level is computed by dividing the amount appropriated by the prior year's statewide average daily attendance. The SEEK fund is a guaranteed amount of money per pupil in each school district of Kentucky. The current SEEK allotment is \$3,866 per pupil.

The \$100 capital outlay allotment per each average daily attendance is included within the guaranteed amounts. Each district's base funding from the SEEK program is adjusted for the number of at-risk students, the number and types of exceptional children in the district, and cost of transporting students from and to school in the district.

**Capital Outlay Allotment.** The per pupil capital outlay allotment for each district from the public school fund and from local sources shall be kept in a separate account and may be used by the district only for capital outlay projects approved by the State Department of Education. These funds shall be used for the following capital outlay purposes:

- a. For direct payment of construction costs.
- b. For debt service on voted and funding bonds.
- c. For payment or lease-rental agreements under which the board will eventually acquire ownership of the school plant.
- d. For retirement of any deficit resulting from over-expenditure for capital construction, if such deficit resulted from certain declared emergencies.
- e. As a reserve fund for the above named purposes, to be carried forward in ensuing budgets.

The allotment for each school board of education in the Commonwealth for fiscal year 1978-79 was \$1,800 per classroom unit. The 1979 Session of the Kentucky General Assembly approved increases in this allotment in 1979-80 to \$1,900 per classroom unit. This rate remained unchanged in 1980-81. The 1981 Session of the Kentucky General Assembly decreased the allotment per classroom to \$1,800 and this allotment rate did not change from the 1981-82 rate, until the 1990-91 school year. Beginning with 1990-91, the Capital Outlay allotment for each district is based on \$100 per average daily attendance.

The following table shows the computation of the capital outlay allotment for the Madison County School District for certain preceding school years. Beginning 1990-91, the allotment is based on average daily attendance as required by law.

<u>Year</u>	<u>Capital Outlay Allotment</u>
2000-01	810,610.0
2001-02	820,850.0
2002-03	834,520.0
2003-04	838,110.0
2004-05	876,920.0
2005-06	901,080.0
2006-07	929,610.0
2007-08	949,810.0
2008-09	958,519.0
2009-10	954,281.0
2010-11	992,580.0
2011-12	999,824.0
2012-13	1,003,104.0
2013-14	1,019,757.0
2014-15	1,041,745.0
2015-16	1,044,890.0
2016-17	1,053,570.0
2017-18	1,050,830.0
2018-19	1,044,966.3
2019-20	1,052,390.0

If the school district has no capital outlay needs, upon approval from the State, the funds can be used for school plant maintenance, repair, insurance on buildings, replacement of equipment, purchase of school buses and purchase of modern technological equipment for educational purposes. If any district has a special levy for capital outlay or debt service that is equal to the capital outlay allotment or a proportionate fraction thereof, and spends the proceeds of the levy for eligible purposes, the State may authorize the district to use all or a proportionate

fraction of its capital outlay allotment for current expenses (school districts which use capital outlay allotments to meet current expenses are not eligible to participate in the School Facilities Construction Commission funds).

**Facilities Support Program of Kentucky.** School districts may be eligible to participate in the Facilities Support Program of Kentucky (FSPK), subject to the following requirements:

- 1) The district must have unmet needs as set forth and approved by the State Department of Education in a School Facilities Plan;
- 2) The district must commit to establish an equivalent tax rate of at least 5 cents, in addition to the 30 cents minimum current equivalent tax rate; and,
- 3) The new revenues generated by the 5 cent addition, must be placed in a restricted account for school building construction bonding.

## **LOCAL SUPPORT**

**Homestead Exemption.** Section 170 of the Kentucky Constitution was amended at the General Election held November 2, 1971, to exempt from property taxes \$6,500 of value of single unit residential property of taxpayers 65 years of age or older. The 1972 General Assembly amended KRS Chapter 132 to permit counties and school districts to adjust their local tax revenues lost through the application of this Homestead Exemption. The "Single Unit" qualification has been enlarged to subsequent sessions of the General Assembly to provide that such exemption shall apply to such property maintained as the permanent resident of the owner and the dollar amount has been construed to mean \$6,500 in terms of the purchasing power of the dollar in 1972. Every two years thereafter, if the cost of living index of the U.S. Department of Labor has changed as much as 1%, the maximum exemption shall be adjusted accordingly. Under the cost of living formula, the maximum was increased to \$39,300 effective January 1, 2019.

**Limitation on Taxation.** The 1979 Special Session of the Kentucky General Assembly enacted House Bill 44 which provides that no school district may levy a general tax rate, voted general tax rate, or voted building tax rate which would generate revenues that exceeds the previous years revenues by four percent (4%).

The 1990 Regular Session of the Kentucky General Assembly in enacting the "School Reform" legislative package amended the provisions of KRS 160.470 which prohibited school districts from levying ad valorem property taxes which would generate revenues in excess of 4% of the previous year's revenues without said levy subject to recall to permit exceptions to the referendum under (1) KRS 160.470(12) [a new section of the statute] and (2) an amended KRS 157.440.

Under KRS 160.470(12)(a) for fiscal years beginning July 1, 1990 school districts are required to levy a "minimum equivalent tax rate" of thirty cents (\$.30) for general school purposes. The equivalent tax rate is defined as the rate which results when the income collected during the prior year from all taxes (including occupational or utilities) levied by the district for school purposes divided by the total assessed value of property plus the assessment for motor vehicles certified by the State Revenue Cabinet. Failure to levy the minimum equivalent rate subjects the board of the district to removal.

The exception provided by KRS 157.440(1)(a) permits school districts to levy an equivalent tax rate as defined in KRS 160.470(12)(a) which will produce up to 15% of those revenues guaranteed by the program to support education excellence in Kentucky. Levies permitted by this section of the statute are not subject to public hearing or recall provisions as set forth in KRS 160.470.

**Local Thirty Cents Minimum.** Effective for school years beginning after June 30, 1990, the board of education of each school district shall levy a minimum equivalent tax rate of thirty cents (\$.30) for general school purposes. If a board fails to comply, its members shall be subject to removal from office for willful neglect of duty.

**Additional 15% Not Subject to Recall.** Effective with the school year beginning July 1, 1990, each school district may levy an equivalent tax rate which will produce up to 15% of those revenues guaranteed by the SEEK program. Effective with the 1990-91 school year, the State will equalize the revenue generated by this levy at one hundred fifty percent (150%) of the statewide average per pupil equalized assessment. For 1993-94 and thereafter, this level is set at \$225,000. The additional 15% rate levy is not subject to the public hearing or recall provisions.

**Assessment Valuation.** No later than July 1, 1994, all real property located in the state and subject to local taxation shall be assessed at one hundred percent (100%) of fair cash value.

**Special Voted and Other Local Taxes.** Any district may, in addition to other taxes for school purposes, levy not less than four cents nor more than twenty cents on each one hundred dollars (\$100) valuation of property subject to local taxation, to provide a special fund for the purchase of sites for school buildings and the erection, major alteration, enlargement, and complete equipping of school buildings. In addition, districts may levy taxes on tangible and intangible property and on utilities, except generally any amounts of revenues generated above that provided for by House Bill 44 is subject to voter recall.

**Local Tax Rates, Property Assessments and Revenue Collections**

<b>Tax Year</b>	<b>Combined Equivalent Rate</b>	<b>Total Property Assessment</b>	<b>Property Revenue Collections</b>
2000-01	54.9	2,391,011,398	13,126,653
2001-02	56	2,642,258,381	14,796,647
2002-03	57.8	2,726,465,050	15,758,968
2003-04	57.8	2,904,933,123	16,790,513
2004-05	65.2	3,141,455,618	20,482,291
2005-06	64.7	3,421,731,730	22,138,604
2006-07	65.7	3,718,593,261	24,431,158
2007-08	64.7	4,058,172,574	26,256,377
2008-09	64.2	4,273,673,525	27,436,984
2009-10	64.2	4,400,442,325	28,250,840
2010-11	62.7	4,471,702,685	28,037,576
2011-12	70.8	4,579,211,699	32,420,819
2012-13	67.8	4,785,137,250	32,443,231
2013-14	71.7	4,852,638,256	34,793,416
2014-15	70	4,935,689,251	34,549,825
2015-16	71.5	5,039,966,682	36,035,762
2016-17	70.6	5,184,564,863	36,603,028
2017-18	70.7	5,376,750,842	38,013,628
2018-19	70.8	5,554,635,795	39,326,821
2019-20	71.8	5,893,876,648	42,318,034

**Overlapping Bond Indebtedness**

The following table shows any other overlapping bond indebtedness of the Madison County School District or other issuing agency within the County as reported by the State Local Debt Officer for the period ending June 30, 2020.

<b>Issuer</b>	<b>Original Principal Amount</b>	<b>Amount of Bonds Redeemed</b>	<b>Current Principal Outstanding</b>
County of Madison			
General Obligation	\$16,100,000	\$2,765,981	\$13,334,019
Residential Revenue	\$7,370,000	\$0	\$7,370,000
Refinancing Refunding Revenue	\$6,365,000	\$3,225,000	\$3,140,000
Community Center Revenue	\$2,200,000	\$510,637	\$1,689,363
Equipment Revenue	\$407,684	\$48,717	\$358,967

City of Berea			
General Obligation	\$10,402,000	\$0	\$10,402,000
College Project Revenue	\$28,740,000	\$4,960,000	\$23,780,000
Hospital & Healthcare Facility Revenue	\$999,000	\$0	\$999,000
Improvement Project Revenue	\$16,445,000	\$8,695,000	\$7,750,000
City of Richmond			
General Obligation	\$16,914,000	\$8,338,379	\$8,575,621
Court Facility	\$5,590,000	\$3,590,000	\$2,000,000
Improvement Project Revenue	\$850,000	\$595,000	\$255,000
Lease Purchase Revenue	\$50,000,000	\$0	\$50,000,000
Building Revenue	\$750,000	\$346,921	\$403,079
Refinancing Refunding Revenue	\$13,724,045	\$5,654,522	\$8,069,523
Infrastructure Revenue	\$2,240,000	\$745,000	\$1,495,000
Recreational Facilities Revenue	\$1,400,000	\$0	\$1,400,000
Special Districts			
Madison County Library District	\$9,000,000	\$1,700,000	\$7,300,000
Madison County Water District	\$3,880,000	\$2,880,000	\$1,000,000
Southern Madison Water District	\$865,000	\$550,000	\$315,000
Totals:	\$194,241,729	\$44,605,157	\$149,636,572

Source: 2020 Kentucky Local Debt Report.

### SEEK Allotment

The Board has reported the following information as to the SEEK allotment to the District, and as provided by the State Department of Education. These receipts are compared to the 1989-90 fiscal year funding prior to enactment of the Kentucky Education Reform Act:

SEEK	Base Funding	Local Tax Effort	Total State & Local Funding
2000-01	27,611,864	13,126,653	40,738,517
2001-02	27,536,004	14,796,647	42,332,651
2002-03	29,263,610	15,758,968	45,022,578
2003-04	31,085,004	16,790,513	47,875,517
2004-05	32,421,582	20,482,291	52,903,873
2005-06	34,973,745	22,138,604	57,112,349
2006-07	36,038,943	24,431,158	60,470,101
2007-08	39,901,261	26,256,377	66,157,638
2008-09	40,554,305	27,436,984	67,991,289
2009-10	35,717,805	28,250,840	63,968,645
2010-11	37,064,828	28,037,576	65,102,404
2011-12	40,244,099	32,420,819	72,664,918
2012-13	39,439,277	32,443,231	71,882,508
2013-14	39,817,114	34,793,416	74,610,530
2014-15	41,705,890	34,549,825	76,255,715
2015-16	42,579,343	36,035,762	78,615,105
2016-17	42,890,373	36,603,028	79,493,401
2017-18	42,971,671	38,013,628	80,985,299
2018-19	43,196,523	39,326,821	82,523,344
2019-20	42,109,104	42,318,034	84,427,138



- (1) Support Education Excellence in Kentucky (SEEK) replaces the minimum foundation program and power equalization funding. Capital Outlay is now computed at \$100 per average daily attendance (ADA). Capital Outlay is included in the SEEK base funding.
- (2) The Board established a current equivalent tax rate (CETR) of \$0.718 for FY 2019-20. The equivalent tax rate" is defined as the rate which results when the income from all taxes levied by the district for school purposes is divided by the total assessed value of property plus the assessment for motor vehicles certified by the Commonwealth of Kentucky Revenue Cabinet.

### **State Budgeting Process**

- i) Each district board of education is required to prepare a general school budget on forms prescribed and furnished by the Kentucky Board of Education, showing the amount of money needed for current expenses, debt service, capital outlay, and other necessary expenses of the school during the succeeding fiscal year and the estimated amount that will be received from all sources.
- ii) By September 15 of each year, after the district receives its tax assessment data from the Department of Revenue and the State Department of Education, 3 copies of the budget are forwarded to the State Department for approval or disapproval.
- iii) The State Department of Education has adopted a policy of disapproving a school budget if it is financially unsound or fails to provide for:
  - a) payment of maturing principal and interest on any outstanding voted school improvement bonds of the district or payment of rental in connection with any outstanding school building revenue bonds issued for the benefit of the school district; or
  - b) fails to comply with the law.

### **COVID-19**

The recent outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, which was first detected in China and has since spread to other countries, including the United States and the Commonwealth of Kentucky, has been declared a Pandemic by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally and is widely expected to affect economic growth worldwide. On March 13, 2020, President Donald Trump declared a national emergency to unlock federal funds to help states and local governments fight the pandemic.

While the collection of property taxes, which are a significant source of building fund revenue for the payment of principal and interest due on the bonds (see "LOCAL SUPPORT" herein) may be impacted by the COVID-19 emergency, the District does not expect the impact to be significant unless the economic hardship is long term. In addition, the Commonwealth of Kentucky revenues are also likely to be impacted by a long-term economic hardship caused by declining collections of sales taxes, wage taxes, income taxes, property taxes and other revenue sources. The impact of those declining revenue collections on state education funds (see "STATE SUPPORT" herein) is unknown. Although the potential impact of the virus on the Commonwealth and the Board of Education's future ability to make payments under the Lease cannot be predicted at this time, the continued spread of the outbreak could have a material adverse effect on the Board of Education and ultimately, the Corporation.

On March 24, 2020 the Governor of Kentucky signed Senate Bill 177 which provides relief to Kentucky School Districts in light of the Coronavirus emergency. Among other things, it removes the limits on the number of days that a district can utilize an approved Non-Traditional Instruction program ("NTI"). Senate Bill 177 also authorizes Kentucky Superintendents to use their school year 2018-2019 attendance data on their Superintendent's Annual Attendance Report. The report determines a district's average daily attendance used in calculating Support

Education Excellence in Kentucky ("SEEK") funds. On April 2, 2020, the Governor of Kentucky has recommended that all schools remain closed until at least May 1, 2020, and all 172 Kentucky school districts are utilizing KDE's Non-Traditional Instruction (NTI) Program. For more information on the Kentucky Department of Education's response to COVID 19, please see their website at <https://education.ky.gov/comm/Pages/COVID-19-Updates.aspx>.

### **POTENTIAL LEGISLATION**

No assurance can be given that any future legislation, including amendments to the Code, if enacted into law, or changes in interpretation of the Code, will not cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent owners of the Bonds from realizing the full current benefit of the tax exemption of such interest. In addition, current and future legislative proposals, if enacted into law, may cause interest on state or local government bonds (whether issued before, on the date of, or after enactment of such legislation) to be subject, directly or indirectly, to federal income taxation by, for example, changing the current exclusion or deduction rules to limit the amount of interest on such bonds that may currently be treated as tax exempt by certain individuals. Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation.

Further, no assurance can be given that the introduction or enactment of any such future legislation, or any action of the IRS, including but not limited to regulation, ruling, or selection of the Bonds for audit examination, or the course or result of any IRS examination of the Bonds or obligations which present similar tax issues, will not affect the market price for the Bonds.

### **CONTINUING DISCLOSURE**

As a result of the Board and issuing agencies acting on behalf of the Board having outstanding at the time the Bonds referred to herein are offered for public sale municipal securities in excess of \$1,000,000, the Corporation and the Board will enter into a written agreement for the benefit of all parties who may become Registered or Beneficial Owners of the Bonds whereunder said Corporation and Board will agree to comply with the provisions of the Municipal Securities Disclosure Rules set forth in Securities and Exchange Commission Rule 15c2-12 by filing annual financial statements and material events notices with the Electronic Municipal Market Access (EMMA) System maintained by the Municipal Securities Rule Making Board.

The Board has been timely in making all required disclosure filings in the past five (5) years.

The Board has adopted new procedures to assure timely and complete filings in the future with regard to the Rule in order to provide required financial reports and operating data or notices of material events.

Financial information regarding the Board may be obtained from Superintendent, Madison County Board of Education, PO Box 768, Richmond, Kentucky 40476 (859-624-4500).

### **TAX EXEMPTION; NOT BANK QUALIFIED**

Bond Counsel is of the opinion that:

(A) The Bonds and the interest thereon are exempt from income and ad valorem taxation by the Commonwealth of Kentucky and all of its political subdivisions.

(B) The interest income from the Bonds is excludable from the gross income of the recipient thereof for Federal income tax purposes under existing law and will not be a specific item of tax preference for purposes of calculating the Federal alternative minimum income tax.

(C) As a result of designations and certifications by the Board and the Corporation, indicating the issuance of less than \$10,000,000 of tax-exempt obligations during the calendar year ending December 31, 2021, the Bonds

are NOT "qualified tax-exempt obligations" within the meaning of the Internal Revenue Code of 1986, as amended.

The Corporation will provide the purchaser the customary no-litigation certificate, and the final approving Legal Opinions of Steptoe & Johnson PLLC, Bond Counsel and Special Tax Counsel, Louisville, Kentucky approving the legality of the Bonds. These opinions will accompany the Bonds when delivered, without expense to the purchaser.

### **Original Issue Premium**

Certain of the Bonds are being initially offered and sold to the public at a premium ("Acquisition Premium" from the amounts payable at maturity thereon. "Acquisition Premium" is the excess of the cost of a bond over the stated redemption price of such bond at maturity or, for bonds that have one or more earlier call dates, the amount payable at the next earliest call date. The Bonds that bear an interest rate that is higher than the yield (as shown on the cover page hereof), are being initially offered and sold to the public at an Acquisition Premium (the "Premium Bonds"). For federal income tax purposes, the amount of Acquisition Premium on each bond the interest on which is excludable from gross income for federal income tax purposes ("tax-exempt bonds") must be amortized and will reduce the bondholder's adjusted basis in that bond. However, no amount of amortized Acquisition Premium on tax-exempt bonds may be deducted in determining bondholder's taxable income for federal income tax purposes. The amount of any Acquisition Premium paid on the Premium Bonds, or on any of the Bonds, that must be amortized during any period will be based on the "constant yield" method, using the original bondholder's basis in such bonds and compounding semiannually. This amount is amortized ratably over that semiannual period on a daily basis.

Holders of any Bonds, including any Premium Bonds, purchased at an Acquisition Premium should consult their own tax advisors as to the actual effect of such Acquisition Premium with respect to their own tax situation and as to the treatment of Acquisition Premium for state tax purposes.

### **Original Issue Discount**

Certain of the Bonds (the "Discount Bonds") are being initially offered and sold to the public at a discount ("OID") from the amounts payable at maturity thereon. OID is the excess of the stated redemption price of a bond at maturity (the face amount) over the "issue price" of such bond. The issue price is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of bonds of the same maturity are sold pursuant to that initial offering. For federal income tax purposes, OID on each bond will accrue over the term of the bond. The amount accrued will be based on a single rate of interest, compounded semiannually (the "yield to maturity") and, during each semi-annual period, the amount will accrue ratably on a daily basis. The OID accrued during the period that an initial purchaser of a Discount Bond at its issue price owns it is added to the purchaser's tax basis for purposes of determining gain or loss at the maturity, redemption, sale or other disposition of that Discount Bond. In practical effect, accrued OID is treated as stated interest, that is, as excludable from gross income for federal income tax purposes.

In addition, original issue discount that accrues in each year to an owner of a Discount Bond is included in the calculation of the distribution requirements of certain regulated investment companies and may result in some of the collateral federal income tax consequences discussed above. Consequently, owners of any Discount Bond should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability, additional distribution requirements or other collateral federal income tax consequences although the owner of such Discount Bond has not received cash attributable to such original issue discount in such year.

Holders of Discount Bonds should consult their own tax advisors as to the treatment of OID and the tax consequences of the purchase of such Discount Bonds other than at the issue price during the initial public offering and as to the treatment of OID for state tax purposes.

## **ABSENCE OF MATERIAL LITIGATION**

There is no controversy or litigation of any nature now pending or threatened (i) restraining or enjoining the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any proceedings of the Board or Corporation taken with respect to the issuance or sale thereof or (ii) which if successful would have a material adverse effect on the financial condition of the Board.

## **APPROVAL OF LEGALITY**

Legal matters incident to the authorization and issuance of the Bonds are subject to the approving legal opinion of Steptoe & Johnson PLLC, Bond Counsel. The form of the approving legal opinion of Bond Counsel will appear on each printed Bond.

## **NO LEGAL OPINION EXPRESSED AS TO CERTAIN MATTERS**

Bond Counsel has reviewed the information contained in the Official Statement describing the Bonds and the provisions of the Bond Resolution and related proceedings authorizing the Bonds, but Bond Counsel has not reviewed any of the financial data, computations, tabulations, balance sheets, financial projections, and general information concerning the Corporation or District, and expresses no opinion thereon, assumes no responsibility for same and has not undertaken independently to verify any information contained herein.

## **BOND RATING**

As noted on the cover page of this Official Statement, Moody's Investors Service has given the Bonds the indicated rating. Such rating reflects only the respective views of such organization. Explanations of the significance of the rating may be obtained from the rating agency. There can be no assurance that such rating will be maintained for any given period of time or will not be revised or withdrawn entirely by the rating agency, if in their judgement circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

## **FINANCIAL ADVISOR**

Prospective bidders are advised that RSA Advisors, LLC ("RSA") has been employed as Financial Advisor in connection with the issuance of the Bonds. RSA's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery thereof. Bidders may submit a bid for the purchase of the Bonds at the time of the advertised public sale, either individually or as a member of a syndicate organized to submit a bid for the purchase of the Bonds.

## **APPROVAL OF OFFICIAL STATEMENT**

The Corporation has approved and caused this "Official Statement" to be executed and delivered by its President. In making this "Official Statement" the Corporation relied upon information furnished to it by the Board of Education of the Madison County School District and does not assume any responsibility as to the accuracy or completeness of any of the information in this Official Statement except as to copies of documents denominated "Official Terms and Conditions" and "Bid Form." The financial information supplied by the Board of Education is represented by the Board of Education to be correct. The Corporation deems this preliminary Official Statement to be final for purposes of Securities Exchange Commission Rule 15c2-12(b)(1) as qualified by the cover hereof.

No dealer, broker, salesman, or other person has been authorized by the Corporation, the Madison County Board of Education or the Financial Advisor to give any information or representations, other than those contained in this Official Statement, and if given or made, such information or representations must not be relied upon as

having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Except when otherwise indicated, the information set forth herein has been obtained from the Kentucky Department of Education and the Madison County School District and is believed to be reliable; however, such information is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the Financial Advisor or by Counsel. The delivery of this Official Statement at any time does not imply that information herein is correct as of any time subsequent to the date hereof.

This Official Statement does not, as of its date, contain any untrue statement of a material fact or omit to state a material fact which should be included herein for the purpose for which the Official Statement is to be used or which is necessary in order to make the statements contained herein, in the light of the circumstances under which they were made, not misleading in any material respect.

By         /s/    
**President**

By         /s/    
**Secretary**

**APPENDIX A**

**Madison County School District Finance Corporation  
School Building Refunding Revenue Bonds  
Series of 2021**

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**Demographic and Economic Data**

## **MADISON COUNTY, KENTUCKY**

Richmond, the county seat of Madison County had an estimated 2020 population of 32,625. Richmond is located in Eastern Kentucky and is 105 miles southeast of Cincinnati, Ohio; 29 miles southeast of Lexington, Kentucky; and 100 miles east of Louisville, Kentucky. Madison County had an estimated population of 93,955 persons in 2020.

### **The Economic Framework**

The total number of people employed in Madison County in 2020 averaged 34,778. Madison County has a labor force of 47,742 people. The top 5 jobs by occupation are as follows: office and administrative support - 4,151 (11.94%); sales - 3,707 (10.66%); education, training/library - 3,306 (9.51%); executive, managers and administrators - 3,041 (8.74%); and, production workers - 2,858 (8.22%).

### **Transportation**

U.S. Highway 75 runs through Madison County. The nearest commercial airline service is in Lexington, Kentucky at the Blue Grass Airport, which is located 29 miles northwest of Richmond.

### **Power and Fuel**

Electric power is provided to Madison County by E.On U.S.- KU, East Kentucky Power Cooperative, Berea Municipal Utilities, Jackson Energy Cooperative, Blue Grass Energy Cooperative Corp., Clark Energy Cooperative and Inter-County Energy Cooperative. Natural gas services are provided by Columbia Gas of Kentucky Inc., Delta Natural Gas and Richmond Utilities.

### **Education**

The Madison County School System and Berea Independent School System provides primary education to the residents of Madison County. There are 21 colleges and universities and 20 technology centers (ATC) within 60 miles of Richmond.

## **LOCAL GOVERNMENT**

### **Structure**

Richmond is governed by a mayor, four commissioners, and a full-time city manager. The mayor is elected to a four-year term, while the commissioners each serve two-year terms. Madison County is governed by a county judge/executive and four magistrates. Each county official is elected to a four-year term.

### **Planning and Zoning**

City agency - Richmond Planning and Zoning Commission  
Zoning enforced - Within the corporate limits of Richmond  
Subdivision regulations enforced - Within the city and 5 miles beyond the corporate limits of Richmond  
Local codes enforced - Building and housing codes  
Mandatory state codes enforced - Kentucky Plumbing Code, National Electric code, Kentucky Boiler Regulations and Standards, Kentucky Building Code (modeled after BOCA code)

## **LABOR MARKET STATISTICS**

The Richmond Labor Market Area includes Madison County the adjoining Kentucky counties of Bourbon, Clark, Estill, Fayette, Garrard, Jackson, Jessamine, Laurel, Montgomery, Rockcastle, Scott and Woodford.

## Population

<u>Area</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Richmond	34,453	35,332	35,894
Madison County	89,568	91,226	92,368

Source: U.S. Department of Commerce, Bureau of the Census.

## Population Projections

<u>Area</u>	<u>2025</u>	<u>2030</u>	<u>2035</u>
Madison County	95,773	99,688	103,064

Source: Kentucky State Data Center, University of Louisville and Kentucky Cabinet for Economic Development.

## EDUCATION

### Public Schools

	<u>Madison County</u>	<u>Berea Ind.</u>
Total Enrollment (2018-2019)	11,477	1,081
Pupil to Teacher Ratio	16.1 - 1	13 - 1

### Vocational - Technical Schools

<u>Institution</u>	<u>Location</u>	<u>Enrollment (2018-2019)</u>
Madison County ATC	Richmond, KY	770
Garrard County ATC	Lancaster, KY	392
Clark County ATC	Winchester, KY	680
Lincoln County ATC	Stanford, KY	322
Rockcastle County ATC	Mount Vernon, KY	438
Jackson County ATC	McKee, KY	329
Montgomery County ATC	Mt. Sterling, KY	498
Lee County ATC	Beattyville, KY	312
Harrison County ATC	Cynthiana, KY	556
Casey County ATC	Liberty, KY	433
Pulaski County ATC	Somerset, KY	762
Clay County ATC	Manchester, KY	367
Breathitt County ATC	Jackson, KY	528
Marion County ATC	Lebanon, KY	617
Corbin ATC	Corbin, KY	418
Morgan County ATC	West Liberty, KY	514



## Colleges and Universities

<u>Institution</u>	<u>Location</u>	<u>Enrollment (2019-2020)</u>
Eastern Kentucky University	Richmond, KY	16,515
Berea College	Berea, KY	1,673
Asbury University	Wilmore, KY	1,946
Transylvania University	Lexington, KY	989
University of Kentucky	Lexington, KY	22,136
Centre College	Danville, KY	1,434
Georgetown College	Georgetown, KY	961
Midway College	Midway, KY	1,456
Kentucky State University	Frankfort, KY	1,666
Morehead State University	Morehead, KY	9,400

## FINANCIAL INSTITUTIONS

<u>Institution</u>	<u>Total Assets</u>	<u>Total Deposits</u>
Citizens Guaranty Bank, Inc.	\$202,222,000	\$172,259,000
Peoples Bank and Trust Company Of Madison County (Berea)	\$402,473,000	\$308,995,000

*Source: McFadden American Financial Directory, January-June 2020 Edition.*

## EXISTING INDUSTRY

<u>Firm</u>	<u>Product</u>	<u>Total Employed</u>
<i>Berea:</i> Berea College Crafts	Hand crafted wooden furniture and toys, games, brooms, baby blankets, place mats, couch throws, ceramics and jewelry	8
Berea Tool & Cutter Grinding	Tool and die, cutter grinding, fixtures, prototypes, fabricating, machining and repair work	4
Hitachi Automotive Systems Americas Inc.	Manufacture and assembly of brake and suspension systems	963
Hitachi Automotive Systems Americas Inc.	Brake systems, electronic motors	70
Hyster-Yale Group Inc.	Manufacture lift trucks	653
Industrial Service Solutions	Install machinery, steel fabrication, contract maintenance, turn key projects	15
KI (USA) Corporation	Metal stamped & cationic painted automotive parts and components, projection, arc & resistance welding	139
Middletown Composites Inc.	Aircrafts parts and equipment manufacturing	15
Middletown Metal Works Inc.	Product fabrication; machine, weld, paint; laser, press brake, fabricated steel products	65
Novelis Corporation	Ingots made from recycled aluminum cans	140
Pittsburgh Glass Works LLC	Automotive windshields, door glass, back windows	85
S&S Custom Machining Inc.	Machine shop; general & precision machining; MIG & TIG welding; machine parts for Hitachi, TTAI, Stemco Motor Wheel and RAPT	6
Stemco Products Inc.	Manufacturing and distribution for Enpro products	150

*Richmond:*

AGC Glass Co. NA	Automotive glass	168
The Allen Company Inc.	Mixed asphalt and crushed limestone	39
Asahi Bluegrass Forge Corp.	Automotive press forging, gears, bearings, joints	51
Asahi Forge or America Corp.	Hot forge manufacturing for the automotive ind.	76
B&H Tool Works, Inc.	Speciality machinery, tool & die	100
Blue Grass Plating Co., Inc.	Zinc, black oxide, nickel & phosphate electroplating	33
Brown & Tribble Inc.	Sheet metal fabricating & installation	8
Concrete Materials Co. LLC	Ready-mixed concrete and precast products	47
Diversified Tool & Development	Screw machine products & CNC machining	17
EnerSys, Inc.	Wet & dry industrial storage batteries	520
Framebridge Inc.	Manufactures picture frames	58
Gill Industries	Automotive stamping	218
Ford Hall Company Inc.	Waste water equipment; automated brush system to alleviate debris from circular clarifiers	16
Hinkle Block & Masonry LLC	Concrete blocks and masonry building supplies	11
HP Drinks	Sports drink manufacturer; Haymakers Punch	1
Kokoku Rubber, Inc.	Rubber syringe stoppers, automobile parts & computer keyboards.	132
Lectrodryer LLC	Designs and manufactures desiccant dryers and purification systems for the removal of humidity and other impurities from air, gases and liquids	44
Madison Tool & Die Inc.	Tool and die making; welding jigs and fixtures	4
National Metal Processing Inc.	Commercial heat treating, laser heat treating, laser welding	22
The Okonite Company	Insulated electrical cable	288
P-K tool & Manufacturing Co.	Metal stampings, production machining, fabricating & assembly; complete stamping die construction; robotic & resistance welding	49
Precision Tube Co.	Tube fabricating, wire forming, & CNC machining	70
Qualex Machining	Metal turning, threading, grooving, milling, drilling	175
Quanex Building Products	Vinyl extrusions	160
Ready Mix Concrete	Manufacture and delivery of ready mixed concrete	7
Richmond Auto Parts Technology	Automotive transmission gears	143
RitTek LLC	Secondary precision machining	13
Sherwin-Williams Company	Automotive coatings & finishes	260
Speedwell Tool & Die	Tool & die, custom molded dies	1
TEBCO of Kentucky, Inc.	Manufacture truck bodies and related equipment	40
The Richmond Register	Newspaper, shoppers guide, flyer & tab publishing & typesetting	21
Thunder Mfg USA Inc.	Metal stamping, primarily for the automotive industry	25
Uncle Charlie's Meats	Meat processing & packaging	45

*Source: 2020 Kentucky Directory of Manufacturers.*

**APPENDIX B**

**Madison County School District Finance Corporation  
School Building Refunding Revenue Bonds  
Series of 2021**

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**Audited Financial Statement ending June 30, 2020**

**MADISON COUNTY SCHOOL DISTRICT**

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

Year Ended June 30, 2020

**MADISON COUNTY SCHOOL DISTRICT**

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**MADISON COUNTY SCHOOL DISTRICT**

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**MADISON COUNTY SCHOOL DISTRICT**

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Heartland CPAs and Advisors PLLC

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## **INDEPENDENT AUDITOR'S REPORT**

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Madison County School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the accompanying table of contents.

### ***Management's Responsibility for the Financial Statements***

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

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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor, considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness on the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2020, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Emphasis of a Matter**

As discussed in Note 1 to the financial statements, during the year ended June 30, 2020, the District adopted Governmental Accounting Standards Board Statement 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 11, budgetary comparison information on pages 57 to 58, schedule of proportionate share of the net pension liability on pages 59 to 63 and schedule of contributions on pages 64 to 68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Madison County School District's basic financial statements. The combining financial statements, school schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated November 6, 2020, on our consideration of Madison County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Madison County School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Heartland CPAs and Advisors, PLLC". The signature is written in a cursive, flowing style.

Heartland CPAs and Advisors, PLLC  
Elizabethtown, Kentucky  
November 6, 2020

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Madison County School District  
Management's Discussion and Analysis (MD&A)  
June 30, 2020

As management of the Madison County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

**FINANCIAL HIGHLIGHTS**

- The beginning cash balance for the District was \$29.75 million, including \$2.83 million in construction projects.
- The ending cash balance for the District was \$34.61 million, including \$1.39 million in construction projects.
- The district constructs and renovates facilities with a long-range facility plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations. The plan was updated during Fiscal Year 2019 and sent to KDE for approval. The plan was given final approval by the KBE in August of 2019.
- Demolition of the Hines Motel and construction of the parking lot/entrance for Madison Kindergarten Academy began at the end of FY 2019. No bonds or capital funds were used for this purchase. The project was completed during FY 2020.
- A roofing project was approved for Madison Central High School at the end of Fiscal Year 2019. The project completed by mid-year 2020. Capital Funds were used to finance the project.
- The General Fund had \$75.35 million in receipts, net of on-behalf payments from the state and inter-fund transfers. These receipts primarily consisted of the state program (SEEK), property, utility, and motor vehicle taxes. The beginning balance included \$2.34 million in encumbrances, \$0.68 million SBDM carryover, and \$6.38 million in contingency from Fiscal 2019. Excluding inter-fund transfers and net of on-behalf payments, there were \$73.38 million in General Fund expenditures.
- Payment of the Fiscal Year 2020 obligation of \$94,252 for Kentucky School Boards Insurance Trust reduced the long-term liability to \$94,250, as of June 30<sup>th</sup>.
- General Fund dollars were required to supplement transportation expenses unfunded by the state. The state funded 54.77% (\$3.39 million) of the calculated per pupil transportation allotment (\$6.19 million) for Fiscal Year 2020. This was a 10.37% decrease in funded as compared to FY 2019. The district's actual transportation expenditures are 37.9% state funded. The district supplements the remaining 62.1% with locally generated revenue.

## OVERVIEW OF FINANCIAL STATEMENTS

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

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets, deferred outflows, liabilities and deferred inflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Capital assets and related debt are also supported by taxes and intergovernmental revenues.

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

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

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

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found in the table of contents of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of Madison County Schools, assets exceeded liabilities by \$64.72 million for Governmental Activities as of June 30, 2020. Liabilities exceeded assets by \$2.028 million for Business Type Activities. The recording of the GASB 75 (OPEB) liabilities resulted in a negative impact on the net position for the year. The district's total assets still exceed liabilities, and the difference increased in comparison to Fiscal Year 2019. This is due in part to the reduction of debt and no issuance of bonds during Fiscal Year 2020.

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

The district's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets. Liabilities and deferred inflows in excess of assets and deferred outflows for the Business Type Activities is the result of GASB 68 and GASB 75 in which the district is required to report net pension liability of \$5.89 million.

Table 1  
Net Position  
(In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>
Current and Other Assets	30.97	35.11	1.79	3.81	32.76	38.92
Capital Assets	<u>188.64</u>	<u>186.31</u>	<u>1.30</u>	<u>1.33</u>	<u>189.94</u>	<u>187.64</u>
Total Assets	<u>219.61</u>	<u>221.42</u>	<u>3.09</u>	<u>5.14</u>	<u>222.70</u>	<u>226.56</u>
Deferred Outflows	<u>13.73</u>	<u>14.77</u>	<u>1.53</u>	<u>1.80</u>	<u>15.26</u>	<u>16.57</u>
Long-term Debt	154.48	146.50	5.82	7.08	160.30	153.58
Other Liabilities	<u>9.96</u>	<u>10.20</u>	<u>0.07</u>	<u>0.08</u>	<u>10.03</u>	<u>10.28</u>
Total Liabilities	<u>164.44</u>	<u>156.70</u>	<u>5.89</u>	<u>7.16</u>	<u>170.33</u>	<u>163.86</u>
Deferred Inflows	<u>5.63</u>	<u>9.78</u>	<u>0.59</u>	<u>0.72</u>	<u>6.22</u>	<u>10.50</u>
<b>Net Position</b>						
Net Investment in Capital Assets	91.95	96.76	1.31	1.33	93.26	98.09
Restricted	7.72	9.80	-	-	7.72	9.80
Unrestricted	<u>(36.41)</u>	<u>(36.85)</u>	<u>(3.16)</u>	<u>(2.27)</u>	<u>(39.57)</u>	<u>(39.12)</u>
<b>Total Net Position</b>	<u>\$ 63.26</u>	<u>\$ 69.71</u>	<u>\$ (1.85)</u>	<u>\$ (0.94)</u>	<u>\$ 61.41</u>	<u>\$ 68.77</u>

## GOVERNMENTAL ACTIVITIES

For Fiscal 2020, the district had an increase in net position of \$6.44 million from operating activities. This is primarily due to the increased investment in net capital assets and maintaining the contingency balance. The FY 2019 Governmental Activities totals were restated to remove the effects of the GASB 68 TRS pension entries from the Governmental Activities category of Instruction-Operating Grants & Contributions because it generated an unrealized negative revenue and distorted the district's presentation of actual expenditures for student instruction. as noted on the Statement of Activities in the body of the report. GASB noted that this was an unintended consequence of the pronouncement.

Table 2  
Statement of Activities

	Governmental Activities		Business-type Activities	
	2019	2020	2019	2020
<b>Revenue</b>				
Charges for services	\$ 30,145	\$ 124,648	\$ 509,472	\$ 398,549
Operating grants and contributions	13,464,440	13,010,834	6,990,309	9,814,216
Capital grants and contributions	5,093,869	4,737,188	-	-
General revenues & extraordinary item	73,705,864	75,882,489	(83,982)	(316,903)
Total revenue	92,294,318	93,755,159	7,415,799	9,895,862
<b>Expenses</b>				
Instruction	40,734,082	42,358,883	-	-
Student support services	6,938,127	8,128,533	-	-
Instructional staff support	6,884,106	5,794,081	-	-
District administration	1,630,313	1,623,938	-	-
School administration	5,144,072	5,166,385	-	-
Business	2,005,523	1,913,088	-	-
Plant operation & maintenance	10,059,234	9,302,051	-	-
Student transportation	10,200,975	8,941,503	-	-
Non-instructional	1,038,085	1,018,841	-	-
Building improvement	-	-	-	-
Unallocated depreciation & amortization	-	-	-	-
Interest on long-term debt	3,274,711	3,063,007	-	-
Loss on disposal of general assets	-	-	-	-
Food service operations	-	-	7,452,403	8,971,113
Total expenses	87,909,228	87,310,310	7,452,403	8,971,113
Change in net position	4,385,090	6,444,849	(36,604)	924,749
Net position, beginning	58,875,156	63,260,246	(1,818,991)	(1,855,595)
Restatement for adoption of GASB 65	-	-	-	-
Restatement for adoption of GASB 75	-	-	-	-
Net position, beginning as restated	58,875,156	63,260,246	(1,818,991)	(1,855,595)
Net position, ending	\$ 63,260,246	\$ 69,705,095	\$ (1,855,595)	\$ (930,846)

## BUSINESS-TYPE ACTIVITIES

Food service revenues from Federal grants increased from the prior year due to an increase in meals served. The district made a commitment for all 18 schools to participate in the Community Eligibility Provisions program beginning with Fiscal Year 2018. The district had begun to serve dinners in all 18 schools to students in after-school programs prior to the start of the pandemic. Likewise, the Food

Service program had a significant increase in revenue during FY2020 due to increased feeding during the COVID-19 Pandemic. The district transitioned to the Summer Feeding Program funding from March – June 2020. This transition allowed the district to feed all individuals age 18 and younger three meals per day and to be reimbursed based on the meals served. The increased volume of feeding is represented by the \$2.82 million increase in revenue versus FY2019, as noted in Table 2 above. The increase in net position is a direct result of the increased revenue generated during the pandemic by serving meals under the Summer Feeding Program guidelines. The increased revenue offset the recording of net pension liabilities, OPEB liabilities, and cafeteria improvements investments.

## CAPITAL ASSETS

At the end of Fiscal 2020, the District had \$187.64 million invested in capital assets, including land, buildings, buses, technology and other equipment. This amount represents a net decrease (including additions and deductions) of \$2.31 million, or 1.22%, over the prior year. This decrease is due primarily to depreciation of assets as compared to additions of new assets for the year. Boonesborough Elementary completed in FY2019 and the district realized a full year of depreciation during FY2020.

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

	Governmental Activities		Business-type Activities		Totals	
	2019	2020	2019	2020	2019	2020
Land	\$ 4.09	\$ 5.05	\$ -	\$ -	\$ 4.09	\$ 5.05
Buildings & Improvements	177.81	173.62	0.01	0.01	177.82	173.63
Technology Equipment	0.15	0.15	-	-	0.15	0.15
Vehicles	5.20	5.27	-	-	5.20	5.27
General Equipment	1.33	1.21	1.30	1.32	2.63	2.53
Construction in Progress	<u>0.06</u>	<u>1.01</u>	<u>-</u>	<u>-</u>	<u>0.06</u>	<u>1.01</u>
Totals	<u>\$ 188.64</u>	<u>\$ 186.31</u>	<u>\$ 1.31</u>	<u>\$ 1.33</u>	<u>\$ 189.95</u>	<u>\$ 187.64</u>

## DEBT

The district did not issue any bonds for Fiscal Year 2020. The district reduced \$14.54 million of Revenue Bond Debt during the year. The district will issue bonds in FY 2021 for multiple planned projects.

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

	Government Activities	
	2019	2020
General Obligation Bonds	<u>\$ 98.55</u>	<u>\$ 84.01</u>
Total Obligations	<u>\$ 98.55</u>	<u>\$ 84.01</u>



## COMMENTS ON BUDGET COMPARISONS

- Actual General Fund revenues exceeded the budget by \$0.82 million or approximately 0.81 percent. This variance is primarily seen in local revenue (increased tax collections, investment earnings, & KSBIT refund) and intergovernmental – state revenues (increased on-behalf payments from the state) which combined to exceed the budget by \$0.82 million. Excluding on-behalf, the line items that varied most significantly were Property Tax, with a decrease of \$140,671; Motor Vehicle Tax, with a decrease of \$157,677; Utility Tax, with an increase of \$118,378; and Intergovernmental-Indirect Federal, with an increase of \$117,724.
- Actual General Fund expenditures were \$11.16 million less than the final budget. This was primarily due to a contingency of \$6.38 million, which was intended to remain unspent and carryover to Fiscal Year 2021 as the beginning balance. As with revenues, a variance exists in the expenditure side of reporting state on-behalf payments, which exceeded the budget by \$0.82 million. Funds assigned for purchase obligations were \$1.35 million. General Fund budgeted expenditures compared to actual varied significantly in Student Transportation (\$2.24 million), Plant Operation & Maintenance (\$1.13 million), Business Support Services (\$0.12 million), Instructional Staff Support (\$0.22 million), and District Administrative Support (\$0.82 million). The budget for Student Transportation included unrealized personnel and fuel expenditures due to the pandemic and the shutdown of the district's buildings. Workers compensation, unemployment and dental reimbursements are budgeted in their entirety in District Administrative Support; however, actual expenditures are recorded in the same function as the related salaries. The district chose to restrict the savings for future needs to include future salaries, security/technology upgrades, equipment, etc.

The following table presents a summary of revenue and expenditures for the fiscal year ended June 30, 2020, for selected funds.

Table 5  
Revenues & Expenditures  
(In Millions)

	General Fund	Special Revenue	Construction	Other Governmental Funds
<b>Revenues:</b>				
Local Sources	\$ 32.96	\$ 0.10	\$ 8.90	\$ 0.46
State Sources	67.79	3.94	2.88	1.85
Federal Sources	1.09	7.85	-	-
<b>Total Revenues</b>	<b>101.84</b>	<b>11.89</b>	<b>11.78</b>	<b>2.31</b>
<b>Expenses:</b>				
Instruction	63.05	8.25	-	0.31
Student Support	6.87	1.03	-	-
Instructional Support	4.28	1.32	-	0.07
District Administration	1.45	-	0.13	-
School Administration	4.95	-	-	-
Business Support	1.79	0.02	-	-
Plant Operations	8.64	0.01	-	-
Student Transportation	7.85	0.23	-	0.01
Community Support	0.01	1.00	-	-
Facilities Acquisition & Construction	0.98	-	-	1.42
Debt Service	-	-	-	10.25
<b>Total Expenses</b>	<b>99.87</b>	<b>11.86</b>	<b>0.13</b>	<b>12.06</b>
<b>Revenue Over (Under) Expenses</b>	<b>\$ 1.97</b>	<b>\$ 0.03</b>	<b>\$ 11.65</b>	<b>\$ (9.75)</b>

## THE DISTRICT'S FUNDS

As the District completed the year, its General Fund reflected a fund balance of \$22.91 million, which is higher than last year's fund balance of \$20.71 million. This increase is due to the decision to commit an additional \$1 million for future construction projects as noted on the District's Facility Plan, with career centers being a high priority, and to increase the district contingency fund by \$1.2 as a result of the COVID-19 pandemic. It is important to note that a portion of the Fiscal Year 2020 balance is reserved for prior year encumbrances (\$1.3 million), site-based councils (\$0.84 million), and sick leave payable (\$0.34 million). In addition, in FY 2008, we were able to reserve \$950,000 for the opening of B. Michael Caudill Middle School in FY 2010. The funds were not required for that purpose and therefore remain reserved for future capital projects. In FY 2009, FY 2010, FY 2011 and FY 2012 we reserved \$958,519, \$950,000, \$975,000 and \$1,000,000 for future capital projects, which continue to be reserved. Likewise, \$1.27 million in funds were committed in FY 2019 for future salaries and increased to \$1.5 million in FY 2020. During FY 2020, the district committed \$3.54 million for future construction, \$1 million for athletic field repairs, and \$50,000 for energy conservation projects. Additionally, funds are committed for buses (\$1.2 million), equipment (\$0.5 million), and security/technology upgrades (\$.1 million). Unassigned Fund Balance increased \$1.2 million to \$7.61 million due to conservative measures to maintain a healthy contingency fund during the COVID-19 pandemic.

## FUTURE BUDGETARY IMPLICATIONS

In Kentucky, the public schools' fiscal year is July 1 – June 30; other programs, i.e. some federal programs, operate on a different fiscal calendar, but are reflected in the District's overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a working budget for 2019-2020 with a contingency of 7.6% of the General Fund budget, net of on-behalf payments from the state and inter-fund transfers; equal to the 7.7% contingency the district ended with in 2018-2019. The budget did not reflect an increase in the contingency due to the board's decision to approve a one percent pay raise throughout the district. It should be noted that this pay raise is completely funded by the district and not mandated by the state. The working budget was adopted without a tax rate increase to offset the additional expenses. It should be noted that the working budget was based on a per pupil rate of \$4,000 as the SEEK base, which was not increased by the 2019 general assembly. SEEK base funding has historically remained flat in the state for many years. In 2014-2015, we experienced the first increase in SEEK in several years with a base of \$3,911. This rate came after five years of a flat base and reductions due to budget shortfalls. Again, in 2015-2016, the general assembly slightly increased the SEEK base to \$3,981. The SEEK base was \$3,866 in both 2008-2009 and 2009-2010, increased \$2 to \$3,868 for 2010-2011 and increased \$35 to \$3,903 in 2011-2012. However, in fiscal years 2011 and 2012, we experienced mid-year cuts due to the state's inability to fund their SEEK obligation. The rate declined to \$3,833 in fiscal 2013 and \$3,827 in fiscal 2014. Again in 2016, we experienced a mid-year SEEK cut. During 2017, districts were refunded a portion of the 2016 mid-year SEEK cuts. In 2018 the general assembly increased the SEEK base to \$4,000 per pupil, the second increase (\$19 per pupil) since 2014-2015.

Issues which will impact future budgets include:

- The inability of the state to restore SEEK funding to the necessary level
- Federal funding not maintaining the pace of mandated pay and fringe benefit increases
- Increased needs for the special education population and meeting 504 plan obligations
- Maintaining local funding for full-day kindergarten, which only receives .5 of the state base funding
- Insufficient funding of the state transportation formula, 37.9% of district's actual costs
- The cumulative effect of the historic loss of local funding due to the 4% cap on increases in property tax revenue imposed by KRS 160.470
- Property tax assessments in recent years increasing less than 4% combined with a public sentiment to forgo property tax rate increases

- Unknowns regarding funding of the state's pension systems
- Significant increases to the employer's pension contribution rates, up to 12% annually
- Potential federal budget cuts to crucial programs
- Increased costs of risk management and the costs associated with administration of the Affordable Care Act
- Potential state funding reductions to allow for funding of charter schools
- Elimination of state funds for professional development and instructional resources combined with increased pressure for continued exceptional growth school performance
- Increased expenditures to comply with future requirements of the School Safety and Resiliency Act without increased state funding support
- Pressure to fund more expenditures locally due to the impact that economic growth has on the SEEK formula
- Providing staff raises and remaining competitive with our surrounding counties

In order to meet the demands of a growing student population, we opened B. Michael Caudill Middle School in 2009-2010 and Farristown Middle School in 2011-2012. The transition to full-day kindergarten necessitated the closing of Mayfield Elementary at the end of fiscal 2014 and the opening of Madison Kindergarten Academy in fiscal 2015 to better utilize the facility's capacity. Likewise, the relocation of Richmond area preschool classrooms to Bellevue in fiscal 2015 provided much needed additional classroom space at area elementary schools. The district acquired property during FY2017 for the construction of Boonesborough Elementary in northern Madison County. Construction was completed and the school opened for the 2018-2019 school year. The district entered into a contract for land in 2018 to build a career center in the Richmond area. A similar center will be constructed in the Berea area on land already owned at the Farristown campus. Continued growth will necessitate the use of Capital Outlay funds for their intended purpose with the imminent need for an additional secondary school and renovations to current facilities. As a result, we have an increasing need to use Capital Outlay funds for their intended purpose rather than to offset General Fund expenditures for plant operation and maintenance costs, as we did for several years.

## **CONTACTING THE MADISON COUNTY SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

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

## **BASIC FINANCIAL STATEMENTS**

**MADISON COUNTY SCHOOL DISTRICT**

STATEMENT OF NET POSITION

June 30, 2020

<b>Assets</b>	Governmental Activities	Business- Type Activities	Total
<b><u>Current Assets</u></b>			
Cash, cash equivalents and investments	\$ 31,754,231	\$ 2,857,182	\$ 34,611,413
Inventory		343,535	343,535
Receivables:			
Accounts		15,184	15,184
Taxes-current	883,670		883,670
Taxes-delinquent	363,099		363,099
Other receivables	356,820		356,820
Intergovernmental-State	50,055		50,055
Intergovernmental-Indirect Federal	1,688,577	594,245	2,282,822
Intergovernmental-Direct Federal	14,147		14,147
<b>Total Current Assets</b>	<b>35,110,599</b>	<b>3,810,146</b>	<b>38,920,745</b>
<b><u>Noncurrent Assets</u></b>			
Non-depreciable capital assets	6,060,150		6,060,150
Depreciable capital assets, net of accumulated depreciation	180,252,180	1,334,574	181,586,754
<b>Total Noncurrent Assets</b>	<b>186,312,330</b>	<b>1,334,574</b>	<b>187,646,904</b>
<b>Total Assets</b>	<b>221,422,929</b>	<b>5,144,720</b>	<b>226,567,649</b>
<b><u>Deferred Outflows of Resources</u></b>			
Deferred amount on debt refundings	2,073,390		2,073,390
CERS Pension	7,398,868	1,275,292	8,674,160
CERS OPEB	2,996,646	527,940	3,524,586
TRS OPEB MIF	2,295,848		2,295,848
<b>Total Deferred Outflows of Resources</b>	<b>14,764,752</b>	<b>1,803,232</b>	<b>16,567,984</b>
<b><u>Liabilities</u></b>			
<b><u>Current Liabilities</u></b>			
Accounts payable	509,406	82,497	591,903
Accrued payroll and related expenses	515,684		515,684
Unearned revenue	628,637		628,637
Bond obligations	7,615,000		7,615,000
KSBIT	94,250		94,250
Compensated absences	250,000		250,000
Interest payable	587,293		587,293
<b>Total Current Liabilities</b>	<b>10,200,270</b>	<b>82,497</b>	<b>10,282,767</b>
<b><u>Noncurrent Liabilities</u></b>			
Bond obligations	84,010,000		84,010,000
Net pension liability - CERS	32,436,712	5,714,601	38,151,313
Net OPEB liability - CERS	7,755,348	1,366,314	9,121,662
Net OPEB liability - TRS MIF	21,856,100		21,856,100
Compensated absences	442,550		442,550
<b>Total Noncurrent Liabilities</b>	<b>146,500,710</b>	<b>7,080,915</b>	<b>153,581,625</b>
<b>Total Liabilities</b>	<b>156,700,980</b>	<b>7,163,412</b>	<b>163,864,392</b>
<b><u>Deferred Inflows of Resources</u></b>			
CERS Pension	1,296,700	228,449	1,525,149
CERS OPEB	2,763,906	486,937	3,250,843
TRS OPEB MIF	5,721,000		5,721,000
<b>Total Deferred Inflows of Resources</b>	<b>9,781,606</b>	<b>715,386</b>	<b>10,496,992</b>
<b><u>Net Position</u></b>			
Net investment in capital assets	96,760,720	1,334,574	98,095,294
Restricted	9,801,361		9,801,361
Unrestricted	(36,856,986)	(2,265,420)	(39,122,406)
<b>Total Net Position</b>	<b>\$ 69,705,095</b>	<b>\$ (930,846)</b>	<b>\$ 68,774,249</b>

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

**MADISON COUNTY SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2020

	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges For Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
<b>FUNCTIONS/PROGRAMS</b>							
<b>Governmental Activities:</b>							
Instruction	\$ 42,358,883	\$ 124,648	\$ 9,401,972	\$ -	\$ (32,832,263)	\$ -	\$ (32,832,263)
Support services:							
Student	8,128,533		1,028,529		(7,100,004)		(7,100,004)
Instruction staff	5,794,081		1,319,547		(4,474,534)		(4,474,534)
District administrative	1,623,938				(1,623,938)		(1,623,938)
School administrative	5,166,385				(5,166,385)		(5,166,385)
Business	1,913,088		20,000		(1,893,088)		(1,893,088)
Plant operation and maintenance	9,302,051		13,077		(9,288,974)		(9,288,974)
Student transportation	8,941,503		231,979		(8,709,524)		(8,709,524)
Community service activities	1,018,841		995,730		(23,111)		(23,111)
Facility acquisition and construction				3,935,489	3,935,489		3,935,489
Other					-		-
Interest on long-term debt	3,063,007			801,699	(2,261,308)		(2,261,308)
<b>Total Governmental Activities</b>	<b>87,310,310</b>	<b>124,648</b>	<b>13,010,834</b>	<b>4,737,188</b>	<b>(69,437,640)</b>	<b>-</b>	<b>(69,437,640)</b>
<b>Business-Type Activities:</b>							
Food service	8,971,113	398,549	9,814,216			1,241,652	1,241,652
<b>Total Business-Type Activities</b>	<b>8,971,113</b>	<b>398,549</b>	<b>9,814,216</b>	<b>-</b>	<b>-</b>	<b>1,241,652</b>	<b>1,241,652</b>
<b>Total Primary Government</b>	<b>\$ 96,281,423</b>	<b>\$ 523,197</b>	<b>\$ 22,825,050</b>	<b>\$ 4,737,188</b>	<b>(69,437,640)</b>	<b>1,241,652</b>	<b>(68,195,988)</b>
			<b>General Revenues:</b>				
			Taxes:				
			Property taxes		32,858,554		32,858,554
			Motor vehicle taxes		3,202,323		3,202,323
			Utility taxes		5,018,376		5,018,376
			Revenue in lieu of taxes		181,987		181,987
			Gain on disposal of capital assets		20,881		20,881
			Investment earnings		616,267	16,347	632,614
			State and formula grants		33,461,901		33,461,901
			Miscellaneous		188,950		188,950
			Transfers		333,250	(333,250)	-
			Total general revenues		75,882,489	(316,903)	75,565,586
			Change in net position		6,444,849	924,749	7,369,598
			Net position - beginning		63,260,246	(1,855,595)	61,404,651
			Net position - ending		\$ 69,705,095	\$ (930,846)	\$ 68,774,249

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

## **FUND FINANCIAL STATEMENTS**

**MADISON COUNTY SCHOOL DISTRICT**

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2020

	General Fund	Special Revenue Fund	FSPK Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Cash, cash equivalents and investments	\$ 22,027,421	\$ -	\$ 5,271,754	\$ 4,455,056	\$ 31,754,231
Receivables:					
Taxes - current	728,301		155,369		883,670
Taxes - delinquent	150,658		212,441		363,099
Other receivables	334,736	9,211		12,873	356,820
Intergovernmental - State	19,306	30,749			50,055
Intergovernmental - Indirect Federal		1,546,077			1,546,077
Intergovernmental - Direct Federal	14,147				14,147
Due from other funds	550,852				550,852
<b>Total Assets</b>	<b>\$ 23,825,421</b>	<b>\$ 1,586,037</b>	<b>\$ 5,639,564</b>	<b>\$ 4,467,929</b>	<b>\$ 35,518,951</b>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities</b>					
Accounts payable	\$ 305,778	\$ 58,109	\$ -	\$ 145,519	\$ 509,406
Due to other funds		550,852			550,852
Accrued payroll and related expenses	515,684				515,684
KSBIT	94,250				94,250
Unearned revenue		628,637			628,637
<b>Total Liabilities</b>	<b>915,712</b>	<b>1,237,598</b>	<b>-</b>	<b>145,519</b>	<b>2,298,829</b>
<b>Fund Balances</b>					
Restricted		348,439	5,639,564	3,813,358	9,801,361
Committed	13,959,597			505,355	14,464,952
Assigned	1,345,068			3,697	1,348,765
Unassigned	7,605,044				7,605,044
<b>Total Fund Balances</b>	<b>22,909,709</b>	<b>348,439</b>	<b>5,639,564</b>	<b>4,322,410</b>	<b>33,220,122</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 23,825,421</b>	<b>\$ 1,586,037</b>	<b>\$ 5,639,564</b>	<b>\$ 4,467,929</b>	<b>\$ 35,518,951</b>

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



**MADISON COUNTY SCHOOL DISTRICT**

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

June 30, 2020

Total fund balance per fund financial statements	\$ 33,220,122
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.	186,312,330
Governmental funds do not record deferred outflows of resources for pensions and OPEB but those are reported on the statement of net position as deferred outflows of resources.	12,691,362
Governmental funds record debt refundings as other financing uses when the issues are refunded. Unamortized losses on refundings are reported on the statement of net position as deferred outflows of resources.	2,073,390
Governmental funds do not record deferred inflows of resources for pensions and OPEB but those are reported on the statement of net position as deferred inflows of resources.	(9,781,606)
Certain receivables are not reported in this fund financial statement because they are available, but they are presented in the statement of net position:	142,500
Bonds payable (net of discounts/premiums)	(91,625,000)
Interest payable	(587,293)
Compensated absences	(692,550)
Net pension liability - CERS	(32,436,712)
Net OPEB liability - CERS	(7,755,348)
Net OPEB liability - TRS MIF	<u>(21,856,100)</u>
Net position for governmental activities	<u><u>\$ 69,705,095</u></u>

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

**MADISON COUNTY SCHOOL DISTRICT**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

Year Ended June 30, 2020

	General Fund	Special Revenue Fund	FSPK Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
From local sources:					
Taxes:					
Property	\$ 24,017,740	\$ -	\$ 8,840,814	\$ -	\$ 32,858,554
Motor vehicle	3,202,323				3,202,323
Utilities	5,018,378				5,018,378
Earnings on investments	480,037	2,528	56,247	77,455	616,267
Other local revenues	68,135	99,492		376,566	544,193
Revenue in lieu of taxes	181,987				181,987
Intergovernmental - State	67,787,670	3,943,701	2,883,094	1,854,094	76,468,559
Intergovernmental - Indirect Federal	952,724	7,846,214			8,798,938
Intergovernmental - Direct Federal	136,429				136,429
<b>Total Revenues</b>	<b>101,845,423</b>	<b>11,891,935</b>	<b>11,780,155</b>	<b>2,308,115</b>	<b>127,825,628</b>
<b>Expenditures:</b>					
Instruction	63,050,739	8,248,551		308,395	71,607,685
Support services:					
Student	6,863,538	1,028,529			7,892,067
Instruction staff	4,282,918	1,319,547		74,211	5,676,676
District administrative	1,444,916		127,451		1,572,367
School administrative	4,953,222				4,953,222
Business	1,792,519	20,000			1,812,519
Plant operation and maintenance	8,642,790	13,077			8,655,867
Student transportation	7,854,104	231,979		7,883	8,093,966
Community service activities	5,470	995,730			1,001,200
Facilities acquisition and construction	981,861			1,419,803	2,401,664
Debt service:					
Principal				7,400,000	7,400,000
Interest				2,848,516	2,848,516
<b>Total Expenditures</b>	<b>99,872,077</b>	<b>11,857,413</b>	<b>127,451</b>	<b>12,058,808</b>	<b>123,915,749</b>
<b>Excess (Deficit) of Revenues over Expenditures</b>	<b>1,973,346</b>	<b>34,522</b>	<b>11,652,704</b>	<b>(9,750,693)</b>	<b>3,909,879</b>
<b>Other Financing Sources (Uses):</b>					
Proceeds from disposal of capital assets	21,497				21,497
Insurance proceeds	36,830				36,830
Transfers in	425,124	219,990		9,486,817	10,131,931
Transfers out	(259,990)	(91,874)	(9,446,817)		(9,798,681)
<b>Total Other Financing Sources (Uses)</b>	<b>223,461</b>	<b>128,116</b>	<b>(9,446,817)</b>	<b>9,486,817</b>	<b>391,577</b>
<b>Net Change in Fund Balances</b>	<b>2,196,807</b>	<b>162,638</b>	<b>2,205,887</b>	<b>(263,876)</b>	<b>4,301,456</b>
<b>Fund Balance, July 1, 2019</b>	<b>20,712,902</b>	<b>185,801</b>	<b>3,433,677</b>	<b>4,586,286</b>	<b>28,918,666</b>
<b>Fund Balance, June 30, 2020</b>	<b>\$ 22,909,709</b>	<b>\$ 348,439</b>	<b>\$ 5,639,564</b>	<b>\$ 4,322,410</b>	<b>\$ 33,220,122</b>

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

**MADISON COUNTY SCHOOL DISTRICT**

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

Year Ended June 30, 2020

Net change in total fund balances per fund financial statements	\$ 4,301,456
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 depreciation expense exceeds capital outlays for the year.	(2,329,310)
Bond payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.	7,400,000
Revenues that were recorded as receivables in the statement of activities do not provide current financial resources but are not reported as revenues in the funds.	(135,660)
The difference between actuarial pension and OPEB contributions and actual contributions made are recorded as adjustments in the statement of activities.	(2,591,270)
In the statement of activities, only the gain (loss) on sale of capital assets is reported, whereas in the governmental funds, the proceeds for the sale increased financial resources.	(616)
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.	<u>(199,751)</u>
Change in net position of governmental activities	<u>\$ 6,444,849</u>

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

**MADISON COUNTY SCHOOL DISTRICT**

## STATEMENT OF NET POSITION

## PROPRIETARY FUNDS

June 30, 2020

	<u>Food Service Fund</u>
<b>Assets</b>	
<b><u>Current Assets</u></b>	
Cash, cash equivalents and investments	\$ 2,857,182
Accounts receivable	15,184
Intergovernmental - Indirect Federal	594,245
Inventory	<u>343,535</u>
<b>Total Current Assets</b>	3,810,146
<b><u>Noncurrent Assets</u></b>	
Depreciable capital assets, net of accumulated depreciation	<u>1,334,574</u>
<b>Total Noncurrent Assets</b>	<u>1,334,574</u>
<b>Total Assets</b>	<u>5,144,720</u>
<b>Deferred Outflows of Resources</b>	
CERS Pension	1,275,292
CERS OPEB	<u>527,940</u>
<b>Total Deferred Outflows of Resources</b>	<u>1,803,232</u>
<b>Liabilities</b>	
<b><u>Current Liabilities</u></b>	
Accounts payable	<u>82,497</u>
<b>Total Current Liabilities</b>	<u>82,497</u>
<b><u>Noncurrent Liabilities</u></b>	
Net pension liability - CERS	5,714,601
Net OPEB liability - CERS	<u>1,366,314</u>
<b>Total Noncurrent Liabilities</b>	<u>7,080,915</u>
<b>Total Liabilities</b>	<u>7,163,412</u>
<b>Deferred Inflows of Resources</b>	
CERS Pension	228,449
CERS OPEB	<u>486,937</u>
<b>Total Deferred Inflows of Resources</b>	<u>715,386</u>
<b><u>Net Position</u></b>	
Net investment in capital assets	1,334,574
Unrestricted	<u>(2,265,420)</u>
<b>Total Net Position</b>	<u>\$ (930,846)</u>

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

**MADISON COUNTY SCHOOL DISTRICT**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

Year Ended June 30, 2020

	Food Service Fund
<b>Operating Revenues:</b>	
Lunchroom sales	\$ 373,190
Other operating revenues	25,359
	<hr/>
<b>Total Operating Revenues</b>	398,549
<b>Operating Expenses:</b>	
Salaries and wages	4,506,452
Materials and supplies	4,048,197
Depreciation	246,598
Other operating expenses	169,866
	<hr/>
<b>Total Operating Expenses</b>	8,971,113
Operating loss	(8,572,564)
<b>Non-Operating Revenues (Expenses):</b>	
Federal grants	8,844,991
Donated commodities	452,620
State on-behalf payments	457,261
State grants	59,344
Interest income	16,347
	<hr/>
<b>Total Non-Operating Revenues (Expenses) before Transfers</b>	9,830,563
<b>Transfers out</b>	(333,250)
	<hr/>
Change in net position	924,749
<b>Net Position, July 1, 2019</b>	(1,855,595)
	<hr/>
<b>Net Position June 30, 2020</b>	<u>\$ (930,846)</u>

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

**MADISON COUNTY SCHOOL DISTRICT**

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year Ended June 30, 2020

	Food Service Fund
<b>Cash Flows from Operating Activities</b>	
Cash received from:	
Lunchroom sales	\$ 365,921
Other activities	25,359
Cash paid to/for:	
Employees	(2,936,125)
Supplies	(3,732,224)
Other activities	(169,866)
<b>Net Cash Used by Operating Activities</b>	<u>(6,446,935)</u>
<b>Cash flows from Non-Capital Financing Activities</b>	
Federal grants	8,425,667
State grants	59,344
Transfers out	(333,250)
<b>Net Cash Provided by Non-Capital Financing Activities</b>	<u>8,151,761</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Purchase of capital assets	(275,872)
<b>Net Cash Used by Capital and Related Financing Activities</b>	<u>(275,872)</u>
<b>Cash Flows from Investing Activities</b>	
Receipt of interest income	16,347
<b>Net Cash Provided by Investing Financing Activities</b>	<u>16,347</u>
Net increase in cash and cash equivalents	1,445,301
<b>Balances, beginning of year</b>	<u>1,411,881</u>
<b>Balances, end of year</b>	<u>\$ 2,857,182</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (8,572,564)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	246,598
State on-behalf payments	457,261
Donated commodities	452,620
GASB 68 pension expense	974,985
GASB 75 OPEB expense	138,081
Change in assets and liabilities:	
Accounts receivable	(7,269)
Inventory	(152,828)
Accounts payable	16,181
<b>Net cash used by operating activities</b>	<u>\$ (6,446,935)</u>
<b>Schedule of non-cash transactions:</b>	
Donated commodities received from federal government	<u>\$ 452,620</u>
State on-behalf payments	<u>\$ 457,261</u>
CERS Pensions	<u>\$ 974,985</u>
CERS OPEB	<u>\$ 138,081</u>

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

**MADISON COUNTY SCHOOL DISTRICT**  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS

June 30, 2020

	<u>Agency Fund</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 986,234
Receivables	<u>4,087</u>
<b>Total Assets</b>	<u><u>\$ 990,321</u></u>
<b>Liabilities</b>	
Accounts payable	\$ 4,883
Due to student groups	<u>985,438</u>
<b>Total Liabilities</b>	<u><u>\$ 990,321</u></u>

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

**NOTES TO THE BASIC STATEMENTS**



## MADISON COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### A. REPORTING ENTITY

The Madison County Board of Education ("Board"), a five-member group, is the level of government, which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Madison County School District. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies, which may influence operations and primary accountability for fiscal matters.

For financial reporting purposes, the accompanying financial statements include all of the operations over which the District is financially accountable. The District is financially accountable for organizations that make up its legal entity, as well as legally separate organizations that meet certain criteria. In accordance with GASB 14, "The Financial Reporting Entity," as amended by GASB 39, "Determining Whether Certain Organizations Are Component Units", the criteria for inclusion in the reporting entity involve those cases where the District or its officials appoint a voting majority of an organization's governing body, and is either able to impose its will on the organization or there is a potential for the organization to provide specific financial benefits to or to impose specific financial burdens on the District or the nature and significance of the relationship between the District and the organization is such that exclusion would cause the District's financial statements to be incomplete. Applying this definition, District management has determined that the component unit reportable within the accompanying financial statements is the Madison County School District Finance Corporation, (the "Corporation"). The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Boosters, Parent-Teacher Associations, etc.

Blended Component Unit - Madison County School District Finance Corporation – In a prior year, the Board of Education resolved to authorize the establishment of the Madison County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the "Corporation") as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors. Therefore, the financial activities of the Corporation have been blended (reported as if it were part of the District) with those of the District. The Corporation does not publish individual component unit financial statements.

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

###### Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds.

## MADISON COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

The government-wide statement of net position presents the financial condition of the governmental and business-type activities of the District at year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

#### Fund Financial Statements

Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

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

#### Governmental Funds

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

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

## MADISON COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

#### Proprietary Funds

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

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

## MADISON COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

##### Fiduciary Funds

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

The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

##### BASIS OF ACCOUNTING

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

##### Modified Accrual

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

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

##### Accrual

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

## **MADISON COUNTY SCHOOL DISTRICT**

### **NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**

June 30, 2020

#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

##### Revenue Recognition

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

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

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

#### **C. BUDGETARY POLICIES**

##### Budgetary Process

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

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

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

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

#### **D. ENCUMBRANCES**

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

#### **E. CASH AND CASH EQUIVALENTS**

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

# MADISON COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### F. INVENTORIES

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

#### G. PREPAID ITEMS

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

#### H. CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds. All capital assets greater than \$5,000 are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets' life are not. All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

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

#### I. LONG-TERM DEBT

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

## MADISON COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

##### J. COMPENSATED ABSENCES

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

##### K. ACCOUNTING ESTIMATES

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

##### L. PENSION AND OPEB PLANS

For purposes of measuring the net pension liability, net OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the Teachers' Retirement System Kentucky (TRS) and County Employees Retirement System (CERS) and additions to/deductions from TRS's and CERS's fiduciary net position have been determined on the same basis as they are reported by TRS and CERS. 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.

##### M. NET POSITION

Net position is divided into three components:

1. Net investment in capital assets – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
2. Restricted net position – consist of net position that is restricted by the District's creditors (for example, through debt covenants), by grantors (federal, state and local) and by other contributors.
3. Unrestricted – all other net position is reported in this category.

##### N. IMPACT OF RECENTLY ISSUED ACCOUNTING PRINCIPLES

###### Recently Issued and Adopted Accounting Pronouncements

In May 2020, the GASB issued Statement 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This statement was effective upon issuance. For the postponement dates, see individual standard descriptions below.

## MADISON COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

##### N. IMPACT OF RECENTLY ISSUED ACCOUNTING PRINCIPLES

###### Recently Issued Accounting Pronouncements

In January 2017, the GASB issued Statement 84, *Fiduciary Activities*. This statement was effective for periods beginning after December 15, 2018, but was delayed by one year with the issuance of GASB 95. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In June 2017, the GASB issued Statement 87, *Leases*. This statement is effective for periods beginning after December 15, 2019, but was delayed by eighteen months with the issuance of GASB 95. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In June 2018, the GASB issued Statement 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement is effective for periods beginning after December 15, 2019, but was delayed by one year with the issuance of GASB 95. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In August 2018, the GASB issued Statement 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. This statement is effective for periods beginning after December 15, 2018, but was delayed by one year with the issuance of GASB 95. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In May 2019, the GASB issued Statement 91, *Conduit Debt Obligations*. This statement is effective for periods beginning after December 15, 2020, but was delayed by one year with the issuance of GASB 95. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In January 2020, the GASB Issued Statement 92, *Omnibus 2020*. This statement is effective for periods beginning after June 15, 2020, but was delayed by one year with the issuance of GASB 95. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In March 2020, the GASB issued Statement 93, *Replacement of Interbank Offered Rates*. This statement is effective, except for paragraphs 11b, 13, and 14 for reporting periods beginning after June 15, 2020. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 are effective for fiscal years periods beginning after June 15, 2021. These dates were delayed by one year with the issuance of GASB 95. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In March 2020, the GASB issued Statement 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This statement is effective for periods beginning after June 15, 2022. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.



## MADISON COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

In June 2020, the GASB issued Statement 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The requirements in (1) paragraph 4 of the Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans and (2) paragraph 5 of the Statement are effective immediately. The requirements in paragraphs 6–9 of the Statement are effective for fiscal years beginning after June 15, 2021. All other requirements of the Statement are effective for reporting periods beginning after June 15, 2021. Management is currently evaluating the impact of the adoption of this statement on the District’s financial statements.

#### NOTE 2 – PROPERTY TAXES

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

The property tax rates assessed for the year ended June 30, 2020, to finance operations were \$.637 per \$100 valuation for real property, \$.637 per \$100 valuation for business personal property and \$.558 per \$100 valuation for motor vehicles.

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

#### NOTE 3 – DEPOSITS AND INVESTMENTS

##### Deposits

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District’s policy is to have all deposits secured by pledged securities. At June 30, 2020, \$6,216,648 of the District’s bank balance of \$6,994,655 was exposed to custodial credit risk. The bank balance not covered by depository insurance was collateralized by securities held by the pledging financial institution.

##### Investments

As of June 30, 2020, the District had the following investments and maturities:

	<u>Fair Value</u>	<u>Average Credit Quality/Ratings (1)</u>	<u>Less Than 1</u>
Money Market Mutual Funds	\$32,861,857	AAAm	\$32,861,857

(1) Ratings are provided where applicable to indicate associated *Credit Risk*. Ratings are from Moody’s Investors Service.

## MADISON COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

#### NOTE 3 – DEPOSITS AND INVESTMENTS – CONTINUED

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

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

**Interest Rate Risk** is the risk that changes in interest rates will adversely affect the fair value of an investment. The district does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. **Custodial Credit Risk** is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. No investments are reported at amortized cost. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's investment is a level 1 input.

**MADISON COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

**NOTE 4 – INTERFUND ACTIVITIES**

The following transfers were made during the year:

**Fund Financial Statements**

From Fund	To Fund	Purpose	Amount
General	Special Revenue	Technology Match	\$ 219,990
General	Nonmajor Governmental	Athletics	40,000
Special Revenue	General	Vocational Ed	87,429
Special Revenue	General	Indirect Costs	4,445
FSPK	Nonmajor Governmental	Debt Service	9,446,817
Food Service	General	Indirect Costs	333,250

**Government-wide Financial Statements**

From Fund	To Fund	Purpose	Amount
Food Service	General	Indirect Costs	\$ 333,250

The Special Revenue Fund owed the General Fund \$550,852 at June 30, 2020 for expenditures.

**MADISON COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2020 was as follows:

Governmental Activities	July 1, 2019	Additions	Deductions	June 30, 2020
Capital Assets Not Being Depreciated:				
Land	\$ 4,093,369	\$ 960,000	\$ -	\$ 5,053,369
Construction in progress	59,390	1,909,225	(961,834)	1,006,781
<b>Total Capital Assets Not Being Depreciated</b>	<b>4,152,759</b>	<b>2,869,225</b>	<b>(961,834)</b>	<b>6,060,150</b>
Capital Assets Being Depreciated:				
Land improvements	3,857,751			3,857,751
Buildings and improvements	242,695,199	1,057,098		243,752,297
Technology equipment	5,232,086	47,860	(377,268)	4,902,678
Vehicles	18,816,278	1,070,794	(1,044,514)	18,842,558
General equipment	5,179,470	129,845	(30,678)	5,278,637
<b>Total Capital Assets Being Depreciated at Historical Cost</b>	<b>275,780,784</b>	<b>2,305,597</b>	<b>(1,452,460)</b>	<b>276,633,921</b>
Less Accumulated Depreciation For:				
Land improvements	3,791,089	28,292		3,819,381
Buildings and improvements	64,955,374	5,215,626		70,171,000
Technology equipment	5,084,019	46,789	(376,653)	4,754,155
Vehicles	13,613,802	1,001,137	(1,044,514)	13,570,425
General equipment	3,847,004	250,454	(30,678)	4,066,780
<b>Total accumulated depreciation</b>	<b>91,291,288</b>	<b>6,542,298</b>	<b>(1,451,845)</b>	<b>96,381,741</b>
<b>Total Other Capital Assets, net</b>	<b>184,489,496</b>	<b>(4,236,701)</b>	<b>(615)</b>	<b>180,252,180</b>
Governmental Activities				
<b>Capital Assets - Net</b>	<b>\$ 188,642,255</b>	<b>\$ (1,367,476)</b>	<b>\$ (962,449)</b>	<b>\$ 186,312,330</b>

Depreciation was charged to governmental functions as follows:

Function	Amount
Instruction	\$ 5,257,787
Student support	6,678
Instructional staff	11,796
District administration	49,955
School administration	7,035
Business support	5,214
Plant	198,717
Transportation	1,004,330
Community services	786
	<u>\$ 6,542,298</u>

**MADISON COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

**NOTE 5 – CAPITAL ASSETS - CONTINUED**

Business-Type Activities	July 1, 2019	Additions	Deductions	June 30, 2020
Capital Assets Being Depreciated:				
Buildings and improvements	\$ 12,372	\$ -	\$ -	\$ 12,372
Technology equipment	25,034		(1,786)	23,248
Food service equipment	4,634,798	275,872	(46,379)	4,864,291
Totals at historical cost	4,672,204	275,872	(48,165)	4,899,911
Less Accumulated Depreciation For:				
Buildings and improvements	41	495		536
Technology equipment	24,739		(1,786)	22,953
Food service equipment	3,342,124	246,103	(46,379)	3,541,848
Total accumulated depreciation	3,366,904	246,598	(48,165)	3,565,337
Business-Type Activities Capital Assets - Net	\$ 1,305,300	\$ 29,274	\$ -	\$ 1,334,574

**NOTE 6 – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions and general liability coverage, the District purchases commercial insurance. The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 7 – LONG-TERM LIABILITIES**

A summary of changes in long-term liabilities for the year ended June 30, 2020, is as follows:

Description	July 1, 2019	Additions	Reductions	June 30, 2020	Due Within 1 Year
<b>Governmental Activities:</b>					
Bonds Payable:					
Revenue bonds	\$ 98,550,000	\$ -	\$ (7,400,000)	\$ 91,150,000	\$ 7,615,000
Discounts and Premiums	542,600		(67,600)	475,000	
Total Bonds Payable	99,092,600	-	(7,467,600)	91,625,000	7,615,000
Other Liabilities:					
KSBIT	188,502		(94,252)	94,250	94,250
Compensated absences	707,290	290,053	(304,793)	692,550	250,000
Total Other Liabilities	895,792	290,053	(399,045)	786,800	344,250
Total Governmental Activities Long-Term Liabilities	\$ 99,988,392	\$ 290,053	\$ (7,866,645)	\$ 92,411,800	\$ 7,959,250

## MADISON COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

#### NOTE 7 – LONG-TERM LIABILITIES – CONTINUED

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

##### Bond Liabilities

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

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rate</u>
2008B	\$ 7,585,000	3.00% - 4.625%
2010R	10,295,000	0.40% - 2.50%
2011	4,040,000	1.00% - 4.375%
2013R	13,500,000	2.00% - 2.375%
2014	10,495,000	2.00% - 3.625%
2014R	10,795,000	2.00% - 3.00%
2015	9,365,000	2.00% - 3.00%
2016R	24,900,000	2.25% - 5.00%
2016R2	27,790,000	2.00% - 2.125%
2017	11,160,000	3.00% - 3.25%

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Madison County School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

The District has “participation agreements” with the Kentucky School Facilities Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2020, for debt service (principal and interest) are as follows:

## MADISON COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

#### NOTE 7 – LONG-TERM LIABILITIES – CONTINUED

Year	Principal	Interest	Participation	District's Portion
2021	\$ 7,615,000	\$ 2,640,321	\$ 801,700	\$ 9,453,621
2022	7,850,000	2,403,333	801,700	9,451,633
2023	8,085,000	2,163,099	801,700	9,446,399
2024	8,320,000	1,927,389	801,700	9,445,689
2025	8,565,000	1,682,494	801,700	9,445,794
2026-2030	36,110,000	5,037,839	3,097,191	38,050,648
2031-2035	12,020,000	1,530,484	2,625,336	10,925,148
2036-2037	2,585,000	101,988	380,378	2,306,610
	<u>\$ 91,150,000</u>	<u>\$ 17,486,947</u>	<u>\$ 10,111,405</u>	<u>\$ 98,525,542</u>

#### NOTE 8 – PENSION PLANS

##### Plan Descriptions

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

##### **TRS**

##### Benefits Provided

*For Members Before July 1, 2008:*

Members become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

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

## MADISON COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

#### NOTE 8 – PENSION PLANS – CONTINUED

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 less 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, members who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for members hired on or after that date.

The final average salary is the member's five (5) highest annual salaries except members at least age fifty-five (55) with twenty-seven (27) or more years of service may use their three (3) highest annual salaries. For all members, the annual allowance is reduced by 5% per year from the earlier of age 60 or the date the member would have completed 27 years of service. The minimum annual service allowance for all members is \$440 multiplied by credited service. The System also provides disability benefits for vested members at the rate of sixty percent (60%) of the final average salary. Cost of living increases are one and one-half percent (1.5%) annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

#### *For Members On or After July 1, 2008:*

Members become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

- 1.) Attain age sixty (60) and complete five (5) years of Kentucky service, or
- 2.) Complete twenty-seven (27) years of Kentucky service, or
- 3.) Attain age fifty-five (55) and complete ten (10) years of Kentucky service.

The annual retirement allowance for non-university members is equal to: (a) one and seven tenths percent (1.7%) of final average salary for each year of credited service if their service is 10 years or less; (b) two percent (2.0%) of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) two and three tenths percent (2.3%) of final average salary for each year of credited service if their service is greater than 20 years but no more than 26 years; (d) two and one half percent (2.5%) of final average salary for each year of credited service if their service is greater than 26 years but no more than 30 years; (e) three percent (3.0%) of final average salary for years of credited service greater than 30 years.

The annual retirement allowance for university members is equal to: (a) one and one-half percent (1.5%) of final average salary for each year of credited service if their service is 10 years or less; (b) one and seven tenths percent (1.7%) of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) one and eighty five hundredths percent (1.85%) of final average salary for each year of credited service if their service is greater than 20 years but less than 27 years; (d) two percent (2.0%) of final average salary for each year of credited service if their service is greater than or equal to 27 years.



## MADISON COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

#### NOTE 8 – PENSION PLANS – CONTINUED

The final average salary is the member's five (5) highest annual salaries except members at least age fifty-five (55) with twenty-seven (27) or more years of service may use their three (3) highest annual salaries. For all members, the annual allowance is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 27 years of service.

##### Contributions

Contribution rates are established by Kentucky Revised Statutes. The State contributes 100 percent of school districts' contractually required contributions, which are actuarially determined. Employees are required to contribute 12.855 percent of their annual salary. The school districts' contractually required contribution rate for the year ended June 30, 2020, was 13.105 percent of salaries for members in the plan before July 1, 2008 and 14.105 percent of salaries for members who started their account after June 30, 2008. The District made no contributions to the pension plan for the year ended June 30, 2020. 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.

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

At June 30, 2020, the District reported no net pension liability because it did not have a proportionate share of the net pension liability. There was no amount recognized by the District as its proportionate share of the net pension liability. The related State share of the net pension liability was \$190,912,596.

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2019, the District's proportion was 1.3992 percent.

For the year ended June 30, 2020, the District recognized pension expense of negative \$19,958,538 and revenue of negative \$19,958,538 (\$14,367,231 in the governmental funds and negative \$34,325,769 in government-wide activities) for support provided by the State. At June 30, 2020, the District reported no deferred outflows of resources and no deferred inflows of resources related to TRS.

##### Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.50 – 7.30 percent, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

**MADISON COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

**NOTE 8 – PENSION PLANS – CONTINUED**

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale BB to 2025, set forward two years for males and one year for females.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study prepared for the period July 1, 2010 – June 30, 2015, submitted to and adopted by the Board on September 19, 2016.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	40%	4.2%
International Equity	22%	5.2%
Fixed Income	15%	1.2%
Other	8%	3.3%
Real Estate	6%	3.8%
Private Equity	7%	6.3%
Cash	2%	0.9%
	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67. It was assumed that Plan member contributions will be made at the current contribution rates and that Employer contributions will be made at 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 projected benefit payments to determine the total pension liability.

Sensitivity Of The Net Pension Liability To Changes In The Discount Rate

The District has no proportional share of the net pension liability. The following presents the sensitivity of the System’s net pension liability calculated using the discount rate of 7.50 percent, as well as what the System’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

Description	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
System's net pension liability (in thousands)	\$ 17,269,491	\$ 14,294,885	\$ 10,373,915

## MADISON COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

#### NOTE 8 – PENSION PLANS – CONTINUED

##### Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position, which has been determined on the same basis as that used by the plan, is available in the separately issued TRS financial report. The financial statements are prepared on the accrual basis of accounting. Member contributions and employer matching contributions are recognized in the fiscal year due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

#### CERS

##### Benefits Provided

The system provides for retirement, disability, and death benefits to system members. Retirement benefits may be extended to beneficiaries of members under certain circumstances. Prior to July 1, 2009, cost-of-living adjustments (COLA) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. Effective July 1, 2009, and on July 1 of each year thereafter through June 30, 2014, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce the COLA if, in its judgment, the welfare of the Commonwealth so demands. No COLA has been granted since July 1, 2011.

##### Contributions

For the fiscal year ended June 30, 2020, plan members who began participating prior to September 1, 2008, were required to contribute 5% of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. The school districts' contractually required contribution rate for the year ended June 30, 2020, was 19.30 percent of annual creditable compensation. Contributions to the pension plan from the District were \$2,731,240.

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

At June 30, 2020, the District reported a liability of \$38,151,313 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2019, the District's proportion was 0.542458 percent, which was an increase of .002922 percent from its proportion measured as of June 30, 2018.

**MADISON COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

**NOTE 8 – PENSION PLANS – CONTINUED**

For the year ended June 30, 2020, the District recognized pension expense of \$6,786,870. At June 30, 2020, the District reported its proportionate share of the CERS deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 974,118	\$ 161,199
Changes in actuarial assumptions	3,861,346	
Difference between projected and actual investment earnings	732,356	1,347,371
Changes in proportion and differences between employer contributions and proportionate share of contributions	375,100	16,579
Contributions paid to CERS subsequent to the measurement date	2,731,240	
	<u>\$ 8,674,160</u>	<u>\$ 1,525,149</u>

The amount reported as deferred outflows for District contributions subsequent to the measurement date of \$2,731,240 will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30	Pension Expense Amount
2021	\$ (2,863,402)
2022	(1,095,698)
2023	(415,037)
2024	(43,634)
	<u>\$ (4,417,771)</u>

Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30 percent
Salary increases	3.30 percent to 10.30%, varies by service, including inflation
Investment rate of return	6.25 percent, net of pension plan investment expense, including inflation

The mortality table used for active members is a Pub-2010 General Mortality Table projected with the ultimate rates from, the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a 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. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

**MADISON COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

**NOTE 8 – PENSION PLANS – CONTINUED**

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2013 – June 30, 2018 and adopted by the Board on April 18, 2019.

The long-term expected return on plan assets 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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	18.8%	4.30%
Non-U.S. Equity	18.8%	4.80%
Private Equity	10.0%	6.65%
Specialty Credit/High Yi	15.0%	2.60%
Core Bonds	13.5%	1.35%
Cash	1.0%	20.00%
Real Estate	5.0%	4.85%
Opportunistic	3.0%	2.97%
Real Return	<u>15.0%</u>	4.10%
	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability as of the Measurement Date was 6.25%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 year closed amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CERS Comprehensive Annual Financial Report.

## MADISON COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

#### NOTE 8 – PENSION PLANS – CONTINUED

##### Sensitivity Of The District's Proportionate Share Of The Net Pension Liability To Changes In The Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.25 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

Description	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
District's proportionate share of the net pension liability	\$ 47,716,471	\$ 38,151,313	\$ 30,178,846

##### Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position, which has been determined on the same basis as that used by the plan, is available in the separately issued CERS financial report. The financial statements are prepared on the accrual basis of accounting. Member contributions and employer matching contributions are recognized in the fiscal year due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

#### NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS

##### Plan Descriptions

The Madison County School District participates in the Teachers' Retirement System of the State of Kentucky (TRS), a component unit of the Commonwealth of Kentucky which includes certified employees and the County Employees' Retirement System (CERS), a component unit of the Commonwealth of Kentucky which includes all other employees, both of which are cost-sharing multiple-employer defined benefit plans. TRS, which qualifies as a special funding situation for the Life Insurance Fund under GASB 75, and CERS provide other post-employment benefits to plan members and beneficiaries. TRS is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). Under the provisions of KRS Section 61.645, the Board of Trustees of Kentucky Retirement Systems (KERS) administers the CERS. The TRS and CERS issue a publicly available financial reports that include financial statements and required supplementary information. TRS' report may be obtained at [www.trs.ky.gov](http://www.trs.ky.gov). CERS' report may be obtained at [www.kyret.ky.gov](http://www.kyret.ky.gov).

##### **TRS**

##### General Information about the OPEB Plan

Plan description – Teaching-certified employees of the Kentucky School District are provided OPEBs through the Teachers' Retirement System of the State of Kentucky (TRS)—a cost-sharing multiple-employer defined benefit OPEB plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the state. 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 blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at [www.trs.ky.gov](http://www.trs.ky.gov).

## MADISON COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

#### NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

The state reports a liability, deferred outflows of resources and deferred inflows of resources, and expense as a result of its statutory requirement to contribute to the TRS Medical Insurance and Life Insurance Plans. The following information is about the TRS plans:

##### **Medical Insurance Fund**

Plan description – In addition to the OPEB benefits described above, Kentucky Revised Statute 161.675 requires TRS to provide post-employment healthcare benefits to eligible members and dependents. The TRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the medical plan may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

Benefits provided – To be eligible for medical benefits, the member must have retired either for service or disability. The TRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan 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. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

Contributions – In order to fund the post-retirement healthcare benefit, seven and one-half percent (7.50%) of the gross annual payroll of members is contributed. Three percent (3.75%) 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. Contributions to the OPEB from the District were \$1,365,848.

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

At June 30, 2020, the District reported a liability of \$21,856,100 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the District's proportion was 1.349811 percent, which was a decrease of .025027 percent from its proportion measured as of June 30, 2018.

**MADISON COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

**NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED**

The amount recognized by the District as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the net OPEB liability	\$ 21,856,100
State proportionate share of the net OPEB liability associated with the District	<u>17,650,000</u>
Total	<u><u>\$ 39,506,100</u></u>

For the year ended June 30, 2020, the District recognized OPEB expense of \$733,000 and revenue of \$1,050,088 for support provided by the Commonwealth. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	\$ 581,000	\$ -
Difference between projected and actual economic experience		5,290,000
Difference between projected and actual investment earnings	93,000	
Changes in proportion and differences between employer contributions and proportionate share of contributions	256,000	431,000
Contributions paid to TRS subsequent to the measurement date	1,365,848	
	<u>\$ 2,295,848</u>	<u>\$ 5,721,000</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$1,365,848 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, 2021. 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	OPEB Expense Amount
2021	\$ (909,000)
2022	(909,000)
2023	(862,000)
2024	(871,000)
2025	(755,000)
Thereafter	<u>(485,000)</u>
	<u><u>\$ (4,791,000)</u></u>



**MADISON COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

**NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED**

Actuarial assumptions – The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	8.00%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.50 – 7.20%, including inflation
Inflation rate	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Healthcare cost trend rates	
Under 65	7.50% for FY 2019 decreasing to an ultimate rate of 5.00% by FY 2024
Ages 65 and Older	5.50% for FY 2019 decreasing to an ultimate rate of 5.00% by FY 2021
Medicare Part B Premiums	2.63% for FY 2019 with an ultimate rate of 5.00% by 2031
Municipal Bond Index Rate	3.50%
Discount Rate	8.00%
Single Equivalent Interest Rate	8.00%, net of OPEB plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2015 valuation.

The long-term expected rate of return on OPEB 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 OPEB 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	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	58.0%	5.1%
Fixed Income	9.0%	1.2%
Real Estate	6.5%	3.8%
Private Equity	8.5%	6.3%
Other	17.0%	3.2%
Cash (LIBOR)	1.0%	0.9%
	<u>100.0%</u>	

**MADISON COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

**NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED**

Discount rate - The discount rate used to measure the total OPEB liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity Of The District's Proportionate Share Of The Net OPEB Liability To Changes In The Discount Rate

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 8.00%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

Description	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 25,891,000	\$ 21,856,100	\$ 18,476,000

Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates – The following presents the District's proportionate share of the collective net OPEB liability, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates.

Description	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 17,792,000	\$ 21,856,100	\$ 26,853,000

OPEB plan fiduciary net position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued TRS financial report.

**Life Insurance Fund**

Plan description – Life Insurance Fund – TRS administers the life insurance fund as provided by Kentucky Revised Statute 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. Changes made to the life insurance plan may be made by the TRS Board of Trustees and the General Assembly.

Benefits provided – TRS provides a life insurance benefit of five thousand dollars payable for members who retire based on service or disability. TRS provides a life insurance benefit of two thousand dollars payable for its active contributing members. The life insurance benefit is payable upon the death of the member to the member's estate or to a party designated by the member.

## MADISON COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

#### NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

Contributions – In order to fund the post-retirement life insurance benefit, three hundredths of one percent (.03%) of the gross annual payroll of members is contributed by the Commonwealth.

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

At June 30, 2020, the District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the State of Kentucky provides the OPEB support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the OPEB liability was \$0 and the Commonwealth's total portion of the net OPEB liability that was associated with the District was \$410,000.

For the year ended June 30, 2020, the District recognized OPEB expense of \$17,337 and revenue of \$17,337 for support provided by the Commonwealth. At June 30, 2020, the District reported no deferred outflows of resources and deferred inflows of resources related to the OPEB.

Actuarial assumptions – The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.50%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.50 – 7.20%, including inflation
Inflation rate	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Municipal Bond Index Rate	3.50%
Discount Rate	7.50%
Single Equivalent Interest Rate	7.50%, net of OPEB plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement.

The remaining actuarial assumptions (e.g. initial per capita costs, rate of plan participation, rates of plan election, etc.) used in the June 30, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2015 valuation.

The long-term expected rate of return on OPEB 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 OPEB 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.

## MADISON COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

#### NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

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	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity	40.0%	4.3%
International Equity	23.0%	5.2%
Fixed Income	18.0%	1.2%
Real Estate	6.0%	3.8%
Private Equity	5.0%	6.3%
Other	6.0%	3.2%
Cash (LIBOR)	2.0%	0.9%
	<u>100%</u>	

Discount rate - The discount rate used to measure the total OPEB liability for life insurance was 7.50%. The projection of cash flows used to determine the discount rate assumed that the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

#### Sensitivity Of The Net OPEB Liability To Changes In The Discount Rate

The District has no proportional share of the net OPEB liability. The following presents the sensitivity of the System's net pension liability calculated using the discount rate of 7.50 percent, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
System's net OPEB liability (in thousands)	\$ 45,921	\$ 31,072	\$ 18,868

OPEB plan fiduciary net position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued TRS financial report.

#### CERS

Plan description – The Kentucky Retirement Systems' Insurance Fund (Insurance Fund) was established to provide hospital and medical insurance for eligible members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. KRS submits the premium payments to DEI. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance.

## MADISON COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

#### NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

Benefits provided – For members participating prior to July 1, 2003, KRS pays a percentage of the monthly premium for single coverage based upon the service credit accrued at retirement. Members participating on or after July 1, 2003, and before September 1, 2008, are required to earn at least 10 years of service credit in order to be eligible for insurance benefits at retirement. Members participating on or after September 1, 2008 are required to earn at least 15 years of service credit in order to be eligible for insurance benefits at retirement. The monthly health insurance contribution will be \$10 for each year of earned service increased by the CPI prior to July 1, 2009, and by 1.5% annually from July 1, 2009.

Contributions – For the fiscal year ended June 30, 2020, plan members who began participating prior to September 1, 2008, were required to contribute 0% of their annual creditable compensation. Those members who began participating on, or after, September 1, 2008 and before January 1, 2014 were required to contribute 1% of their annual creditable compensation. Those members who began participating on, or after, January 1, 2014 were required to contribute 1% of their annual creditable compensation but their contribution is not credited to their account and is not refundable. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. The school districts' contractually required contribution rate for the year ended June 30, 2020, was 4.76 percent of annual creditable compensation. Contributions to the OPEB from the District were \$673,612.

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

At June 30, 2020, the District reported a liability of \$9,121,662 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2019, the District's proportion was 0.542325 percent, which was an increase of .002811 percent from its proportion measured as of June 30, 2018.

**MADISON COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

**NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED**

For the year ended June 30, 2020, the District recognized OPEB expense of \$1,016,683. At June 30, 2020, the District reported its proportionate share of the CERS deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 2,752,217
Changes in actuarial assumptions	2,699,184	18,049
Difference between projected and actual investment earnings	60,083	465,227
Changes in proportion and differences between employer contributions and proportionate share of contributions	91,707	15,350
Contributions paid to CERS subsequent to the measurement date	673,612	
	<u>\$ 3,524,586</u>	<u>\$ 3,250,843</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$673,612 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, 2021. 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	OPEB Expense Amount
2021	\$ (51,646)
2022	(51,646)
2023	77,167
2024	(169,634)
2025	(172,977)
Thereafter	(31,133)
	<u>\$ (399,869)</u>

**MADISON COUNTY SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**

June 30, 2020

**NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED**

Actuarial assumptions – The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	6.25%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.30% to 10.30%, varies by service
Inflation rate	2.30%
Real Wage Growth	2.00%
Healthcare Trend Rate:	
Pre-65	Initial trend starting at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Post-65	Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.
Municipal Bond Index Rate	3.13%
Discount Rate	5.68%

The mortality table used for active members is a Pub-2010 General Mortality Table projected with the ultimate rates from, the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a 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. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2013 – June 30, 2018 and adopted by the Board on April 18, 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 rates 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.

**MADISON COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

**NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED**

The target 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	18.8%	4.30%
Non-U.S. Equity	18.8%	4.80%
Private Equity	10.0%	6.65%
Specialty Credit/High Yi	15.0%	2.60%
Core Bonds	13.5%	1.35%
Cash	1.0%	20.00%
Real Estate	5.0%	4.85%
Opportunistic	3.0%	2.97%
Real Return	15.0%	4.10%
	<u>100%</u>	

The projection of cash flows used to determine the discount rate of 5.68% assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.13%, as reported in Fidelity Index’s “20 –Year Municipal GO AA Index” as of June 28, 2019. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System’s actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System’s trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CAFR.

Sensitivity Of The District's Proportionate Share Of The Net OPEB Liability To Changes In The Discount Rate

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.68%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.68%) or 1-percentage-point higher (6.68%) than the current rate:

<u>Description</u>	<u>1% Decrease (4.68%)</u>	<u>Current Discount Rate (5.68)</u>	<u>1% Increase (6.68%)</u>
District's proportionate share of the net OPEB liability	\$ 12,219,275	\$ 9,121,662	\$ 6,569,435



**MADISON COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

**NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED**

Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates – The following presents the District's proportionate share of the collective net OPEB liability, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates.

Description	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 6,783,827	\$ 9,121,662	\$ 11,956,565

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

**DEFERRED COMPENSATION**

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

**NOTE 10 – FUND BALANCES**

Nonspendable fund balances are those that cannot be spent on future obligations. At June 30, 2020, there were no nonspendable fund balances.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2020, the District had \$348,439 restricted for grants in the special revenue fund, \$2,566,245 restricted for capital projects in the SEEK Capital Outlay Fund, \$5,639,564 restricted for capital projects in the FSPK Fund and \$1,247,113 restricted for capital projects in the Construction Fund.

## MADISON COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

#### NOTE 10 – FUND BALANCES – CONTINUED

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District had the following commitments at June 30, 2020 in the General Fund - \$847,330 for site-based carryforward, \$9,974,876 for capital projects, \$1,501,000 for personnel, \$100,000 for security and technology upgrades, \$336,391 for compensated absences and \$1,200,000 for buses and \$505,355 for school activities in the District Activity Fund.

Assigned fund balances are those amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrance of funds. The District had \$1,345,068 of assignments related to encumbrances recorded in the General Fund and \$3,697 related to encumbrances in the District Activity Fund. Assigned fund balance also includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

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

The District considers unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Also, the District has established the order of assigned, committed and restricted when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

#### NOTE 11 – COMMITMENTS AND CONTINGENCIES

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

The District is subject to various other legal actions in various stages of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the basic financial statements as a result of the cases presently in progress. Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the School District at risk for a substantial loss.

The District also has construction commitments for on-going projects at June 30, 2020.

**MADISON COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

**NOTE 12 – DEFICIT OPERATING BALANCES**

The Food Service Fund had a deficit net position at June 30, 2020 in the amount of \$930,846. The deficit net position is a result of the recording of the net pension liability and net OPEB liability for CERS as part of GASB Statements 68 and 75. The following fund had operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of fund balance/net position:

<u>Fund</u>	<u>Amount</u>
Construction Fund	\$ 1,378,141

**NOTE 13 – ON-BEHALF PAYMENTS**

The District receives on-behalf payments from the Commonwealth of Kentucky for items including pension, technology, health care costs, operating costs and debt service. The amounts received and funds where these items were recorded for the fiscal year ended June 30, 2020 were as follows:

<u>Description</u>	<u>Amount</u>
Health	\$ 11,393,402
Life	18,554
Admin	153,867
HRA	701,725
TRS Pension	14,367,231
TRS OPEB	1,067,425
Technology	172,845
Debt Service	801,699
Less: Federal Reimbursement	<u>(748,278)</u>
Total on-behalf	<u>\$ 27,928,470</u>

Recorded as follows:

General Fund	\$ 26,669,510
Food Service Fund	457,261
Debt Service Fund	<u>801,699</u>
	<u>\$ 27,928,470</u>

**NOTE 14 – SUBSEQUENT EVENTS**

On October 8, 2020, the District issued \$17,350,000 in Revenue Bonds.

**REQUIRED SUPPLEMENTARY INFORMATION**

**MADISON COUNTY SCHOOL DISTRICT**

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

GENERAL FUND

Year Ended June 30, 2020

	<u>Original</u>	<u>Final</u>	<u>Actual</u>
<b>Revenues:</b>			
From local sources:			
Taxes:			
Property	\$ 23,072,200	\$ 24,158,411	\$ 24,017,740
Motor vehicle	3,260,000	3,360,000	3,202,323
Utilities	4,600,000	4,900,000	5,018,378
Revenue in lieu of taxes	162,000	162,000	181,987
Earnings on investments	400,000	474,000	480,037
Other local revenues	34,000	44,000	68,135
Intergovernmental - State	67,785,428	66,970,185	67,787,670
Intergovernmental - Indirect Federal	735,000	835,000	952,724
Intergovernmental - Direct Federal	140,000	120,000	136,429
	<u>100,188,628</u>	<u>101,023,596</u>	<u>101,845,423</u>
<b>Total Revenues</b>			
	100,188,628	101,023,596	101,845,423
<b>Expenditures:</b>			
Instruction	62,557,879	63,569,247	63,050,739
Support services:			
Student	6,881,029	6,630,684	6,863,538
Instruction staff	4,117,091	4,501,841	4,282,918
District administrative	2,162,521	2,260,889	1,444,916
School administrative	5,038,248	5,002,019	4,953,222
Business	1,939,623	1,913,061	1,792,519
Plant operation and maintenance	9,678,424	9,651,507	8,642,790
Student transportation	8,745,286	10,096,913	7,854,104
Community service activities	21,197	20,782	5,470
Other	6,125,619	6,384,206	
Facilities acquisition and construction	25,000	1,005,000	981,861
	<u>107,291,917</u>	<u>111,036,149</u>	<u>99,872,077</u>
<b>Total Expenditures</b>			
	107,291,917	111,036,149	99,872,077
<b>Excess (Deficit) of Revenues over Expenditures</b>	(7,103,289)	(10,012,553)	1,973,346
<b>Other Financing Sources (Uses):</b>			
Proceeds from sale of capital assets	5,000	5,000	21,497
Insurance proceeds	5,000	5,000	36,830
Transfers in	399,373	403,295	425,124
Transfers out	(270,000)	(270,000)	(259,990)
	<u>139,373</u>	<u>143,295</u>	<u>223,461</u>
<b>Total Other Financing Sources (Uses)</b>			
	139,373	143,295	223,461
<b>Net Change in Fund Balances</b>	(6,963,916)	(9,869,258)	2,196,807
<b>Fund Balance, July 1, 2019</b>	<u>6,963,916</u>	<u>9,869,258</u>	<u>20,712,902</u>
<b>Fund Balance, June 30, 2020</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,909,709</u>

**MADISON COUNTY SCHOOL DISTRICT**

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

**SPECIAL REVENUE FUND**

Year Ended June 30, 2020

	<u>Original</u>	<u>Final</u>	<u>Actual</u>
<b>Revenues:</b>			
Earnings on investments	\$ -	\$ -	\$ 2,528
Other local revenues		34,411	99,492
Intergovernmental - State	4,038,563	4,068,972	3,943,701
Intergovernmental - Indirect Federal	<u>6,678,137</u>	<u>7,920,703</u>	<u>7,846,214</u>
<b>Total Revenues</b>	10,716,700	12,024,086	11,891,935
<b>Expenditures:</b>			
Instruction	7,030,409	8,171,486	8,248,551
Support services:			
Student	701,597	932,922	1,028,529
Instruction staff	1,776,167	1,692,896	1,319,547
Business	20,000	20,000	20,000
Plant operation and maintenance	30,706	12,471	13,077
Student transportation	294,779	318,949	231,979
Community service activities	<u>1,002,713</u>	<u>1,016,355</u>	<u>995,730</u>
<b>Total Expenditures</b>	<u>10,856,371</u>	<u>12,165,079</u>	<u>11,857,413</u>
<b>Excess (Deficit) of Revenues over Expenditures</b>	(139,671)	(140,993)	34,522
<b>Other Financing Sources (Uses):</b>			
Transfers in	230,000	230,000	219,990
Transfers out	<u>(90,329)</u>	<u>(89,007)</u>	<u>(91,874)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>139,671</u>	<u>140,993</u>	<u>128,116</u>
<b>Net Change in Fund Balances</b>	-	-	162,638
<b>Fund Balance, July 1, 2019</b>	<u>                    </u>	<u>                    </u>	<u>185,801</u>
<b>Fund Balance, June 30, 2020</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 348,439</u>

**MADISON COUNTY SCHOOL DISTRICT**

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

June 30, 2020

Last 10 Years \*

	2020	2019	2018
Proportion of the net pension liability	0.542458%	0.539536%	0.529724%
Proportionate share of the net pension liability	\$ 38,151,313	\$ 32,859,387	\$ 31,006,374
Covered payroll	\$ 13,899,070	\$ 13,665,650	\$ 13,255,269
Proportionate share of the net pension liability as percentage of covered payroll	274.5%	240.5%	233.9%
Plan fiduciary net position as a percentage of the total pension liability	50.45%	53.54%	53.30%
	2017	2016	2015
Proportion of the net pension liability	0.533274%	0.534628%	0.531918%
Proportionate share of the net pension liability	\$ 26,256,386	\$ 22,986,474	\$ 17,257,000
Covered payroll	\$ 13,007,551	\$ 12,851,981	\$ 13,045,591
Proportionate share of the net pension liability as percentage of covered payroll	201.9%	178.9%	132.3%
Plan fiduciary net position as a percentage of the total pension liability	55.50%	59.97%	66.80%

\* Fiscal year 2015 was the first year of implementation, therefore, only six years are shown.

**MADISON COUNTY SCHOOL DISTRICT**

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

June 30, 2020

Last 10 Years \*

	2020	2019	2018
Proportion of the net OPEB liability	0.542325%	0.539514%	0.592972%
Proportionate share of the net OPEB liability	\$ 9,121,662	\$ 9,578,964	\$ 10,649,264
Covered payroll	\$ 13,899,070	\$ 13,665,651	\$ 13,255,269
Proportionate share of the net OPEB liability as percentage of covered payroll	65.63%	70.10%	80.34%
Plan fiduciary net position as a percentage of the total OPEB liability	60.44%	57.62%	52.39%

\* Fiscal year 2018 was the first year of implementation, therefore, only three years are shown.



**MADISON COUNTY SCHOOL DISTRICT**

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

June 30, 2020

Last 10 Years \*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Proportion of the net pension liability	1.3992%	1.4267%	1.4268%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -
State proportionate share of the net pension liability associated with the District	<u>190,912,596</u>	<u>186,810,019</u>	<u>384,985,477</u>
Total	<u>\$ 190,912,596</u>	<u>\$ 186,810,019</u>	<u>\$ 384,985,477</u>
Covered payroll	\$ 45,020,965	\$ 44,809,167	\$ 44,835,055
District's proportionate share of the net pension liability as percentage of covered payroll	0.0%	0.0%	0.0%
Plan fiduciary net position as a percentage of the total pension liability	58.80%	59.30%	39.80%
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability	1.4247%	1.3851%	1.3717%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -
State proportionate share of the net pension liability associated with the District	<u>420,273,287</u>	<u>322,325,327</u>	<u>281,876,971</u>
Total	<u>\$ 420,273,287</u>	<u>\$ 322,325,327</u>	<u>\$ 281,876,971</u>
Covered payroll	\$ 44,382,855	\$ 42,406,680	\$ 41,196,293
District's proportionate share of the net pension liability as percentage of covered payroll	0.0%	0.0%	0.0%
Plan fiduciary net position as a percentage of the total pension liability	35.20%	42.50%	45.59%

\* Fiscal year 2015 was the first year of implementation, therefore, only six years are shown.

**MADISON COUNTY SCHOOL DISTRICT**

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE TRS NET OPEB LIABILITY  
- MEDICAL INSURANCE FUND

June 30, 2020

Last 10 Years \*

	2020	2019	2018
Proportion of the net OPEB liability	1.349811%	1.374838%	1.373270%
District's proportionate share of the net OPEB liability	\$ 21,856,100	\$ 25,622,000	\$26,952,000
State proportionate share of the net OPEB liability associated with the District	17,650,000	22,081,000	22,016,000
Total	<u>\$ 39,506,100</u>	<u>\$ 47,703,000</u>	<u>\$48,968,000</u>
Covered payroll	\$ 45,020,965	\$ 44,809,167	\$44,835,055
District's proportionate share of the net OPEB liability as percentage of covered payroll	48.55%	57.18%	60.11%
Plan fiduciary net position as a percentage of the total OPEB liability	32.60%	25.50%	21.20%

\* Fiscal year 2018 was the first year of implementation, therefore, only three years are shown.

**MADISON COUNTY SCHOOL DISTRICT**

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE TRS NET OPEB LIABILITY  
- LIFE INSURANCE FUND

June 30, 2020

Last 10 Years \*

	2020	2019	2018
Proportion of the net OPEB liability	1.319602%	1.343495%	1.342086%
District's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -
State proportionate share of the net OPEB liability associated with the District	410,000	379,000	295,000
Total	\$ 410,000	\$ 379,000	\$ 295,000
Covered payroll	\$ 45,020,965	\$ 44,809,167	\$ 44,835,055
District's proportionate share of the net OPEB liability as percentage of covered payroll	0.0%	0.0%	0.0%
Plan fiduciary net position as a percentage of the total OPEB liability	73.40%	75.00%	80.00%

\* Fiscal year 2018 was the first year of implementation, therefore, only three years are shown.

**MADISON COUNTY SCHOOL DISTRICT**

SCHEDULE OF CONTRIBUTIONS TO CERS PENSION

June 30, 2020

Last 10 Years \*

	2020	2019	2018
Contractually require contribution (actuarially determined)	\$ 2,731,240	\$ 2,254,429	\$ 1,978,786
Contribution in relation to the actuarially determined contributions	2,731,240	2,254,429	1,978,786
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	\$ 14,151,505	\$ 13,899,070	\$ 13,665,650
Contributions as a percentage of covered payroll	19.30%	16.22%	14.48%
	2017	2016	2015
Contractually require contribution (actuarially determined)	\$ 1,849,110	\$ 1,615,538	\$ 1,589,810
Contribution in relation to the actuarially determined contributions	1,849,110	1,615,538	1,589,810
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	\$ 13,255,269	\$ 13,007,551	\$ 12,851,981
Contributions as a percentage of covered payroll	13.95%	12.42%	12.37%

\* Fiscal year 2015 was the first year of implementation, therefore, only six years are shown.

**MADISON COUNTY SCHOOL DISTRICT**

SCHEDULE OF CONTRIBUTIONS TO TRS PENSION

June 30, 2020

Last 10 Years \*

	2020	2019	2018
Contractually required contribution (actuarially determined)	\$ -	\$ -	\$ -
Contribution in relation to the actuarially determined contributions	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 45,528,268	\$ 45,020,965	\$ 44,809,167
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%
	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ -	\$ -	\$ -
Contribution in relation to the actuarially determined contributions	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 44,835,055	\$ 44,382,855	\$ 42,406,680
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%

\* Fiscal year 2015 was the first year of implementation, therefore, only six years are shown.

**MADISON COUNTY SCHOOL DISTRICT**

SCHEDULE OF CONTRIBUTIONS TO CERS OPEB

June 30, 2020

Last 10 Years \*

	2020	2019	2018
Contractually required contribution (actuarially determined)	\$ 673,612	\$ 731,091	\$ 642,286
Contribution in relation to the actuarially determined contributions	673,612	731,091	642,286
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	\$ 14,151,505	\$ 13,899,070	\$ 13,665,651
Contributions as a percentage of covered payroll	4.76%	5.26%	4.70%

\* Fiscal year 2018 was the first year of implementation, therefore, only three years are shown.

**MADISON COUNTY SCHOOL DISTRICT**

SCHEDULE OF CONTRIBUTIONS TO TRS OPEB - MEDICAL INSURANCE FUND

June 30, 2020

Last 10 Years \*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution (actuarially determined)	\$ 1,365,848	\$ 1,350,629	\$ 1,344,275
Contribution in relation to the actuarially determined contributions	<u>1,365,848</u>	<u>1,350,629</u>	<u>1,344,275</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 45,528,268	\$ 45,020,965	\$ 44,809,167
Contributions as a percentage of covered payroll	3.00%	3.00%	3.00%

\* Fiscal year 2018 was the first year of implementation, therefore, only three years are shown.

**MADISON COUNTY SCHOOL DISTRICT**

SCHEDULE OF CONTRIBUTIONS TO TRS OPEB - LIFE INSURANCE FUND

June 30, 2020

Last 10 Years \*

	2020	2019	2018
Contractually required contribution (actuarially determined)	\$ -	\$ -	\$ -
Contribution in relation to the actuarially determined contributions	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	\$ 45,528,268	\$ 45,020,965	\$ 44,809,167
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%

\* Fiscal year 2018 was the first year of implementation, therefore, only three years are shown.



## MADISON COUNTY SCHOOL DISTRICT

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2020

#### CERS PENSION

*Changes of benefit terms.* There were no changes in benefit terms for 2015 through 2020.

*Changes of assumptions (as of June 30 of the year measurement date):*

2014 – The assumed investment rate of return was decreased from 7.75% to 7.50%. The assumed rate of inflation was reduced from 3.50% to 3.25%. The assumed rate of wage inflation was reduced from 1.00% to 0.75%. Payroll growth assumption was reduced from 4.50% to 4.00%. The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted. The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

2015 and 2016 – No changes.

2017 – The assumed investment return was changed from 7.50% to 6.25%. The price inflation assumption was changed from 3.25% to 2.30%, which also resulted in a 0.95% decrease in the salary increase assumption at all years of service. The payroll growth assumption (applicable for the amortization unfunded actuarial accrued liabilities) was changed from 4.00% to 2.00%.

2018 – No changes.

2019 – Salary rates were increased from 3.05% average to 3.30 percent to 10.30%, varies by service. Annual rates of retirement, disability, withdrawal and mortality were updated based on the 2018 experience study and the percent of disabilities assumed to occur in the line of duty was updated from 0% to 2% for non-hazardous members.

#### CERS OPEB

*Changes of benefit terms.* There were no changes in benefit terms for 2018 to 2020.

*Changes of assumptions (as of June 30 of the year measurement date):*

2017 – The assumed investment return was changed from 7.50% to 6.25%. The price inflation assumption was changed from 3.25% to 2.30%, which also resulted in a 0.95% decrease in the salary increase assumption at all years of service. The payroll growth assumption (applicable for the amortization of unfunded actuarial accrued liabilities) was changed from 4.00% to 2.00%. For the Non-Hazardous Plan, the single discount rate changed from 6.89% to 5.84%. For the Hazardous Plan, the single discount rate changed from 7.37% to 5.96%.

2018 – No changes

2019 – The discount rate was changed from 5.85% to 5.68%. Annual salary increases and annual rates of retirement, disability, withdrawal and mortality were updated based on the 2018 experience study and the percent of disabilities assumed to occur in the line of duty was updated from 0% to 2% for non-hazardous members.

## MADISON COUNTY SCHOOL DISTRICT

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2020

#### TRS PENSION

*Changes of benefit terms.* There were no changes in benefit terms for 2015 through 2020.

*Changes of assumptions (as of June 30 of the year measurement date):*

2014 – In the 2011 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2011. In the 2011 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2011 valuation, the Board adopted an interest smoothing methodology to calculate liabilities for purposes of determining the actuarially determined contributions. Beginning with the 2014 valuation, the interest smoothing methodology is no longer used. In 2014, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.16% to 5.23%.

2015 – The calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.23% to 4.88%. In the 2016 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience.

2016 – The Assumed Salary Scale, Price Inflation, and Wage Inflation were adjusted to reflect a decrease. In addition, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.88% to 4.20%.

2017 – The calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.20% to 4.49%.

2018 – The calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.49% to 7.50%.

2019 – No changes

#### TRS OPEB

*Changes of benefit terms.*

2018 – MIF – With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retired prior to July 1, 2010 is restored, but the State will only finance, via its KEHP "shared responsibility" contributions, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010.

LIF – No changes

2019 and 2020 – No changes for MIF or LIF.

*Changes of assumptions (as of June 30 of the year measurement date):*

2017 – No changes for MIF or LIF.

2018 – MIF updated the health care trend rates. No changes for the LIF.

2019 – No changes for MIF or LIF.

**SUPPLEMENTARY INFORMATION**

**MADISON COUNTY SCHOOL DISTRICT**

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2020

	District Activity Fund	SEEK Capital Outlay Fund	Construction Fund	Debt Service Fund	Total Nonmajor Governmental Funds
<b>Assets:</b>					
Cash, cash equivalents and investments	\$ 498,547	\$ 2,566,245	\$ 1,390,264	\$ -	\$ 4,455,056
Receivables:					
Other receivables	12,873				12,873
<b>Total Assets</b>	<u>\$ 511,420</u>	<u>\$ 2,566,245</u>	<u>\$ 1,390,264</u>	<u>\$ -</u>	<u>\$ 4,467,929</u>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities</b>					
Accounts payable	\$ 2,368	\$ -	\$ 143,151	\$ -	\$ 145,519
<b>Total Liabilities</b>	<u>2,368</u>	<u>-</u>	<u>143,151</u>	<u>-</u>	<u>145,519</u>
<b>Fund Balances</b>					
Restricted		2,566,245	1,247,113		3,813,358
Committed	505,355				505,355
Assigned	3,697				3,697
<b>Total Fund Balances</b>	<u>509,052</u>	<u>2,566,245</u>	<u>1,247,113</u>	<u>-</u>	<u>4,322,410</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 511,420</u>	<u>\$ 2,566,245</u>	<u>\$ 1,390,264</u>	<u>\$ -</u>	<u>\$ 4,467,929</u>

**MADISON COUNTY SCHOOL DISTRICT**

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

Year Ended June 30, 2020

	District Activity Fund	SEEK Capital Outlay Fund	Construction Fund	Debt Service Fund	Total Nonmajor Governmental Funds
<b>Revenues</b>					
From local sources:					
Earnings on investments	\$ 347	\$ 35,446	\$ 41,662	\$ -	\$ 77,455
Other local revenue	376,566				376,566
Intergovernmental - State		1,052,395		801,699	1,854,094
<b>Total Revenues</b>	<u>376,913</u>	<u>1,087,841</u>	<u>41,662</u>	<u>801,699</u>	<u>2,308,115</u>
<b>Expenditures</b>					
Instruction	308,395				308,395
Support services:					
Instruction staff	74,211				74,211
Student transportation	7,883				7,883
Facilities acquisition and construction			1,419,803		1,419,803
Debt service:					
Principal				7,400,000	7,400,000
Interest				2,848,516	2,848,516
<b>Total Expenditures</b>	<u>390,489</u>	<u>-</u>	<u>1,419,803</u>	<u>10,248,516</u>	<u>12,058,808</u>
<b>Excess (Deficit) of Revenues over Expenditures</b>	(13,576)	1,087,841	(1,378,141)	(9,446,817)	(9,750,693)
Other Financing Sources (Uses)					
Transfers in	40,000			9,446,817	9,486,817
<b>Total Other Financing Sources (Uses)</b>	<u>40,000</u>	<u>-</u>	<u>-</u>	<u>9,446,817</u>	<u>9,486,817</u>
<b>Net Change in Fund Balances</b>	26,424	1,087,841	(1,378,141)	-	(263,876)
<b>Fund balance, July 1, 2019</b>	<u>482,628</u>	<u>1,478,404</u>	<u>2,625,254</u>	<u>-</u>	<u>4,586,286</u>
<b>Fund balance, June 30, 2020</b>	<u>\$ 509,052</u>	<u>\$ 2,566,245</u>	<u>\$ 1,247,113</u>	<u>\$ -</u>	<u>\$ 4,322,410</u>

**MADISON COUNTY SCHOOL DISTRICT**

COMBINING STATEMENT OF FIDUCIARY NET POSITION

AGENCY FUNDS

June 30, 2020

	Boonesborough Elementary	Daniel Boone Elementary	Glenn Marshall Elementary	Kingston Elementary	Kirksville Elementary	Kit Carson Elementary
<b>Assets</b>						
Cash and cash equivalents	\$ 6,507	\$ 5,721	\$ 10,483	\$ 23,120	\$ 13,893	\$ 13,036
Receivables						1
<b>Total Assets</b>	<u>\$ 6,507</u>	<u>\$ 5,721</u>	<u>\$ 10,483</u>	<u>\$ 23,120</u>	<u>\$ 13,893</u>	<u>\$ 13,037</u>
<b>Liabilities</b>						
Accounts payable	\$ 1,897	\$ -	\$ -	\$ -	\$ 1,931	\$ 1
Due to student groups	4,610	5,721	10,483	23,120	11,962	13,036
<b>Total Liabilities</b>	<u>\$ 6,507</u>	<u>\$ 5,721</u>	<u>\$ 10,483</u>	<u>\$ 23,120</u>	<u>\$ 13,893</u>	<u>\$ 13,037</u>
	Madison Kindergarten Academy	Shannon Johnson Elementary	Silver Creek Elementary	Waco Elementary	White Hall Elementary	B. Michael Caudill Middle School
<b>Assets</b>						
Cash and cash equivalents	\$ 13,575	\$ 22,387	\$ 22,268	\$ 10,921	\$ 4,245	\$ 67,967
Receivables					642	
<b>Total Assets</b>	<u>\$ 13,575</u>	<u>\$ 22,387</u>	<u>\$ 22,268</u>	<u>\$ 10,921</u>	<u>\$ 4,887</u>	<u>\$ 67,967</u>
<b>Liabilities</b>						
Accounts payable	\$ -	\$ -	\$ 23	\$ -	\$ 642	\$ -
Due to student groups	13,575	22,387	22,245	10,921	4,245	67,967
<b>Total Liabilities</b>	<u>\$ 13,575</u>	<u>\$ 22,387</u>	<u>\$ 22,268</u>	<u>\$ 10,921</u>	<u>\$ 4,887</u>	<u>\$ 67,967</u>
	Clark-Moores Middle School	Farristown Middle School	Foley Middle School	Madison Middle School	Madison Central High School	Madison Southern High School
<b>Assets</b>						
Cash and cash equivalents	\$ 115,364	\$ 64,192	\$ 33,442	\$ 30,534	\$ 385,662	\$ 142,917
Receivables			624		2,820	
<b>Total Assets</b>	<u>\$ 115,364</u>	<u>\$ 64,192</u>	<u>\$ 34,066</u>	<u>\$ 30,534</u>	<u>\$ 388,482</u>	<u>\$ 142,917</u>
<b>Liabilities</b>						
Accounts payable	\$ 389	\$ -	\$ -	\$ -	\$ -	\$ -
Due to student groups	114,975	64,192	34,066	30,534	388,482	142,917
<b>Total Liabilities</b>	<u>\$ 115,364</u>	<u>\$ 64,192</u>	<u>\$ 34,066</u>	<u>\$ 30,534</u>	<u>\$ 388,482</u>	<u>\$ 142,917</u>
	Total Agency Fund					
<b>Assets</b>						
Cash and cash equivalents	\$ 986,234					
Receivables	4,087					
<b>Total Assets</b>	<u>\$ 990,321</u>					
<b>Liabilities</b>						
Accounts payable	\$ 4,883					
Due to student groups	985,438					
<b>Total Liabilities</b>	<u>\$ 990,321</u>					

**MADISON COUNTY SCHOOL DISTRICT**

SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES

AGENCY FUNDS

YEAR ENDED JUNE 30, 2020

SCHOOL	CASH	RECEIPTS	DISBURSE- MENTS	CASH	RECEIVABLES	PAYABLES	DUE TO
	BALANCES July 1, 2019			BALANCES June 30, 2020			June 30, 2020
Boonesborough Elementary	\$ 2,335	\$ 53,478	\$ 49,306	\$ 6,507	\$ -	\$ 1,897	\$ 4,610
Daniel Boone Elementary	6,789	18,168	19,236	5,721	-	-	5,721
Glenn Marshall Elementary	13,523	27,975	31,015	10,483	-	-	10,483
Kingston Elementary	15,072	41,885	33,837	23,120	-	-	23,120
Kirksville Elementary	8,372	27,720	22,199	13,893	-	1,931	11,962
Kit Carson Elementary	9,211	17,743	13,918	13,036	1	1	13,036
Madison Kindergarten Academy	6,082	35,392	27,899	13,575	-	-	13,575
Shannon Johnson Elementary	17,309	81,319	76,241	22,387	-	-	22,387
Silver Creek Elementary	23,144	19,641	20,517	22,268	-	23	22,245
Waco Elementary	6,287	24,960	20,326	10,921	-	-	10,921
White Hall Elementary	5,548	10,626	11,929	4,245	642	642	4,245
B. Michael Caudill Middle	46,478	184,036	162,547	67,967	-	-	67,967
Clark-Moores Middle	115,449	170,428	170,513	115,364	-	389	114,975
Farristown Middle	48,737	187,705	172,250	64,192	-	-	64,192
Foley Middle	35,757	92,897	95,212	33,442	624	-	34,066
Madison Middle	18,916	170,789	159,171	30,534	-	-	30,534
Madison Central High	418,507	849,381	882,226	385,662	2,820	-	388,482
Madison Southern High	126,251	312,997	296,331	142,917	-	-	142,917
	<u>\$ 923,767</u>	<u>\$ 2,327,140</u>	<u>\$ 2,264,673</u>	<u>\$ 986,234</u>	<u>\$ 4,087</u>	<u>\$ 4,883</u>	<u>\$ 985,438</u>

**MADISON COUNTY SCHOOL DISTRICT**

SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES

MADISON CENTRAL HIGH SCHOOL

YEAR ENDED JUNE 30, 2020

NAME OF ACTIVITY	CASH		DISBURSE- MENTS	CASH		RECEIVABLES June 30, 2020	PAYABLES June 30, 2020	DUE TO STUDENT GROUPS June 30, 2020
	BALANCES July 1, 2019	RECEIPTS		BALANCES June 30, 2020				
General Fund	\$ 83,353	\$ 3,125	\$ 3,030	\$ 83,448	\$ -	\$ -	83,448	
Ballgame Change	-	7,100	7,100	-	-	-	-	
Parking Stickers	-	-	-	-	-	-	-	
Pass Program	5,361	1,295	3,869	2,787	-	-	2,787	
Lost Textbooks	192	18	-	210	-	-	210	
Fac-Staff Retirement Fund	318	1,500	528	1,290	-	-	1,290	
Vending-Staff Drinks	2,830	2,645	4,980	495	-	-	495	
Vending-Staff Snacks	247	127	-	374	-	-	374	
Vending- Student Drinks	2,355	3,976	6,331	-	-	-	-	
Vending- Student Snacks	635	3,438	4,072	1	-	-	1	
Home Economics	-	-	-	-	-	-	-	
Freshman Academy	3,181	1,613	4,513	281	-	-	281	
Library Activities	2,172	2,279	1,065	3,386	-	-	3,386	
Staffulty Unity Club	1,277	2,400	3,154	523	600	-	1,123	
The Tribe	2,768	-	-	2,768	-	-	2,768	
Archery	-	500	500	-	-	-	-	
Misc. Athletics	375	106,054	48,488	57,941	-	-	57,941	
Advertisement-Athletics	17,219	21,025	38,244	-	-	-	-	
Uniform Replacement	17,343	-	1,415	15,928	-	-	15,928	
Gate receipts	6,355	58,756	65,111	-	-	-	-	
Baseball	-	5,310	5,310	-	-	-	-	
Baseball Club	1,702	5,396	4,428	2,670	-	-	2,670	
World Archery Acct	3,068	3,293	6,220	141	-	-	141	
Bowling team	177	1,373	1,550	-	-	-	-	
Boys basketball	-	13,773	13,773	-	-	-	-	
Boys basketball club	7,138	10,692	16,379	1,451	-	-	1,451	
District/ Regional	-	40,347	34,805	5,542	-	-	5,542	
Girls Basketball	-	12,274	12,274	-	-	-	-	
G/Basketball Club	6,829	13,043	15,219	4,653	-	-	4,653	
Bowling Club	5,217	303	950	4,570	-	-	4,570	
Cheer club	1,754	48,429	48,274	1,909	-	-	1,909	
Cheerleader trip	2,896	53,701	56,597	-	-	-	-	
Concession	1,000	27,225	28,226	(1)	-	-	(1)	
Cross country, boys	776	1,026	1,802	-	-	-	-	
Cross country, girls	776	938	1,703	11	-	-	11	
B/G Cross Cty Club	7,536	10,343	9,978	7,901	-	-	7,901	
Dance uniform replacement	-	-	-	-	-	-	-	
Var Dance club	7,981	51,364	59,345	-	-	-	-	
Dance-nationals	-	-	-	-	-	-	-	
Bass anglers	12,616	11,989	8,476	16,129	-	-	16,129	
Football	71	13,733	13,803	1	-	-	1	
Football Club	245	40,941	41,130	56	-	-	56	
Football Special Projects	16,010	27,143	35,530	7,623	-	-	7,623	
Boys golf	-	5,243	5,243	-	-	-	-	
Boys golf club	353	20,002	18,180	2,175	-	-	2,175	
Girls Golf	-	1,500	1,466	34	-	-	34	
Girls Golf Club	-	11,818	10,115	1,703	2,220	-	3,923	
Homecoming	-	-	-	-	-	-	-	
Boys Soccer	-	6,147	6,147	-	-	-	-	
Girls Soccer	-	1,839	1,839	-	-	-	-	
Girls Soccer Club	7,248	17,056	16,640	7,664	-	-	7,664	
Softball travel	3,000	-	-	3,000	-	-	3,000	
Step Team	-	-	-	-	-	-	-	
Softball	-	5,400	2,145	3,255	-	-	3,255	
Softball Club	5,800	14,779	3,938	16,641	-	-	16,641	
Swimming	-	6,516	6,516	-	-	-	-	
Swimming Club	871	10,064	9,851	1,084	-	-	1,084	
Wrestling Club	-	8,965	7,964	1,001	-	-	1,001	



**MADISON COUNTY SCHOOL DISTRICT**

SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES

MADISON CENTRAL HIGH SCHOOL - CONTINUED

YEAR ENDED JUNE 30, 2020

NAME OF ACTIVITY	CASH			CASH			DUE TO
	BALANCES	RECEIPTS	DISBURSE-	BALANCES	RECEIVABLES	PAYABLES	STUDENT
	July 1, 2019		MENTS	June 30, 2020	June 30, 2020	June 30, 2020	GROUPS
							June 30, 2020
Tennis	-	1,000	522	478	-	-	478
Tennis Club	-	1,890	1,451	439	-	-	439
Tournaments	11,690	9,478	21,167	1	-	-	1
Wrestling	63	4,333	4,396	-	-	-	-
Boys Track	-	1,000	519	481	-	-	481
Boys Track Club	14,017	4,866	5,030	13,853	-	-	13,853
Girls Track	-	1,000	469	531	-	-	531
Girls Track Club	-	-	-	-	-	-	-
Volleyball	-	6,028	6,028	-	-	-	-
Volleyball Club	754	7,437	8,191	-	-	-	-
Archery Club	10,005	33,969	25,361	18,613	-	-	18,613
Academic Team	207	707	664	250	-	-	250
Art Club	61	-	-	61	-	-	61
Tribal Treats	305	52	46	311	-	-	311
Enough	-	-	-	-	-	-	-
Choral Music	43,676	102,411	133,620	12,467	-	-	12,467
Dabs	519	-	303	216	-	-	216
Book Club	953	323	545	731	-	-	731
Thrift Store/Green Club	-	-	-	-	-	-	-
Drama Club	787	-	-	787	-	-	787
FCA	321	49	-	370	-	-	370
FFA Club	6,319	20,592	20,188	6,723	-	-	6,723
FCCLA	728	-	398	330	-	-	330
French Club	251	389	640	-	-	-	-
Broadcast Journalism	983	-	99	884	-	-	884
Success Workstudy	410	-	30	380	-	-	380
JROTC	1,568	6,069	5,683	1,954	-	-	1,954
Kims Kiddos	50	-	-	50	-	-	50
Junior Class	21,937	1,610	1,606	21,941	-	-	21,941
Latin Club	71	25,610	25,560	121	-	-	121
Project Santa	3,453	1,410	3,984	879	-	-	879
Human Society Club	47	302	-	349	-	-	349
Musical Theatre	16,355	13,861	19,869	10,347	-	-	10,347
National Honor Society	622	1,705	1,721	606	-	-	606
First Priority	341	-	50	291	-	-	291
Pep Club	523	3,056	2,225	1,354	-	-	1,354
Science Club	-	318	315	3	-	-	3
Science Olympiad	629	2,762	2,711	680	-	-	680
Dungeons and Dragons	38	-	-	38	-	-	38
Teen Task Force	-	-	-	-	-	-	-
Sophomore Class	6,427	9,794	9,474	6,747	-	-	6,747
Soul	177	446	623	-	-	-	-
Spanish Club	1,216	450	728	938	-	-	938
Spanish Honor Society	124	-	50	74	-	-	74
T.E.A.M	319	-	-	319	-	-	319
Terry L Wells Interest	4,020	-	-	4,020	-	-	4,020
Together As One	442	585	639	388	-	-	388
Yearbook	8,044	3,853	1,050	10,847	-	-	10,847
Math Club	-	-	-	-	-	-	-
Senior Class	720	2,102	2,822	-	-	-	-
Technology Student Assoc.	605	69	-	674	-	-	674
Mock Trial	1,984	1,734	3,634	84	-	-	84
The H.O.O.D.	30	-	-	30	-	-	30
Express Yourself Clearly	1,322	-	110	1,212	-	-	1,212
Tribal Threads	-	2,666	1,828	838	-	-	838
Rotary Interact Club	194	50	-	244	-	-	244
CIA	1,922	200	341	1,781	-	-	1,781
Key Club	107	3,311	2,056	1,362	-	-	1,362
STLP	-	-	-	-	-	-	-
Young Republican Club	-	-	-	-	-	-	-

**MADISON COUNTY SCHOOL DISTRICT**

SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES

MADISON CENTRAL HIGH SCHOOL - CONTINUED

YEAR ENDED JUNE 30, 2020

NAME OF ACTIVITY	CASH		DISBURSE- MENTS	CASH		RECEIVABLES June 30, 2020	PAYABLES June 30, 2020	DUE TO STUDENT GROUPS June 30, 2020
	BALANCES July 1, 2019	RECEIPTS		BALANCES June 30, 2020				
TERRA	450	-	-	450	-	-	-	450
Indian Princess	1	-	-	1	-	-	-	1
Recording Arts Club	42	-	-	42	-	-	-	42
Young Democrats	57	-	-	57	-	-	-	57
Piano Lab	5	-	-	5	-	-	-	5
Monday Morning Men	150	-	-	150	-	-	-	150
GSA	96	-	-	96	-	-	-	96
MCHS Dance Blue	13,299	13,625	26,833	91	-	-	-	91
General-Dist Activity	26	63,501	63,479	48	-	-	-	48
Library-Dist Activity	-	-	-	-	-	-	-	-
Athletic-Dist Activity	-	-	-	-	-	-	-	-
Field Trip-Dist Activity	-	-	-	-	-	-	-	-
Sub Total	418,507	1,072,429	1,105,274	385,662	2,820	-	-	388,482
Interfund Transfers	-	223,048	223,048	-	-	-	-	-
<b>TOTAL</b>	<b>\$ 418,507</b>	<b>\$ 849,381</b>	<b>\$ 882,226</b>	<b>\$ 385,662</b>	<b>\$ 2,820</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 388,482</b>

**MADISON COUNTY SCHOOL DISTRICT**

SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES

MADISON SOUTHERN HIGH SCHOOL

YEAR ENDED JUNE 30, 2020

NAME OF ACTIVITY	CASH	RECEIPTS	DISBURSE- MENTS	CASH	RECEIVABLES	PAYABLES	DUE TO
	BALANCES July 1, 2019			BALANCES June 30, 2020			June 30, 2020
Interest	\$ 79	\$ -	\$ 4	\$ 75	\$ -	\$ -	\$ 75
General	2,632	143	530	2,245	-	-	2,245
Vending Teachers Workroom	3,220	462	-	3,682	-	-	3,682
Vending	7,451	5,096	454	12,093	-	-	12,093
Hospitality	200	-	-	200	-	-	200
Charities	4	2,237	1,629	612	-	-	612
Eagle Nes	1,062	30	285	807	-	-	807
Renaissance	3,482	242	998	2,726	-	-	2,726
Academic Team	414	144	-	558	-	-	558
Business	2,388	1,934	3,305	1,017	-	-	1,017
Beta Club	-	927	927	-	-	-	-
HOSA Club	-	4,886	3,318	1,568	-	-	1,568
AHC	18	-	-	18	-	-	18
Envirothon Club	364	210	292	282	-	-	282
Drama Club	1,826	4,701	3,984	2,543	-	-	2,543
FCA	802	-	186	616	-	-	616
FFA	8,555	19,933	22,104	6,384	-	-	6,384
FCCLA	343	3,348	3,178	513	-	-	513
Freshman Class	310	-	-	310	-	-	310
Thespian	4,256	40	1,928	2,368	-	-	2,368
MAD SWIGS	12	-	-	12	-	-	12
Senior Class	299	1,748	1,237	810	-	-	810
Junior Class	-	-	-	-	-	-	-
Sophomore Class	-	-	-	-	-	-	-
Newspaper	2,432	1,160	966	2,626	-	-	2,626
KEY Club	80	90	154	16	-	-	16
Pep Club	219	2,506	2,692	33	-	-	33
Youth Service Center	451	125	75	501	-	-	501
Science Club	-	-	-	-	-	-	-
Spanish Club	124	-	-	124	-	-	124
Science Olympiad	-	-	-	-	-	-	-
TSA	4,740	748	1,626	3,862	-	-	3,862
Homecoming	878	907	882	903	-	-	903
Yearbook	10,541	7,318	3,832	14,027	-	-	14,027
Tri-M Honor Music Society	7	-	-	7	-	-	7
Student Council	104	250	210	144	-	-	144
Aquaculture	-	-	-	-	-	-	-
AFJROTC	1,122	5,422	2,627	3,917	-	-	3,917
Prom	20,684	295	1,922	19,057	-	-	19,057
Travel Club	-	-	-	-	-	-	-
Athletic Department	19,311	45,541	39,410	25,442	-	-	25,442
Letter Jackets	814	13,108	13,921	1	-	-	1
Start-Up	-	10,300	10,300	-	-	-	-
Athletic Uniforms	-	-	-	-	-	-	-
Brick Pavers	-	-	-	-	-	-	-
Archery	2,954	16,682	12,301	7,335	-	-	7,335
Region Tournament	-	-	-	-	-	-	-
District Tournaments	-	-	-	-	-	-	-
State Tournament	-	-	-	-	-	-	-
Baseball, Boys	953	2,705	3,621	37	-	-	37
Softball, Girls	555	-	-	555	-	-	555
Basketball, Boys	1,034	-	884	150	-	-	150
Basketball, Girls	1,015	737	1,752	-	-	-	-
Bass Team	1,839	7,265	1,874	7,230	-	-	7,230
Bowling	17	137	60	94	-	-	94
Football	2,186	-	1,208	978	-	-	978
Soccer, Boys	65	-	-	65	-	-	65
Soccer, Girls	90	-	-	90	-	-	90
Swim Team	1,358	4,448	4,410	1,396	-	-	1,396
Track, Boys	13	-	-	13	-	-	13
Track, Girls	-	-	-	-	-	-	-
Cross Country	-	87	78	9	-	-	9

**MADISON COUNTY SCHOOL DISTRICT**

SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES

MADISON SOUTHERN HIGH SCHOOL - CONTINUED

YEAR ENDED JUNE 30, 2020

NAME OF ACTIVITY	CASH BALANCES July 1, 2019	RECEIPTS	DISBURSE- MENTS	CASH BALANCES June 30, 2020	RECEIVABLES June 30, 2020	PAYABLES June 30, 2020	DUE TO STUDENT GROUPS June 30, 2020
Tennis	341	485	649	177	-	-	177
Cheerleaders	133	7,000	7,090	43	-	-	43
Southern Belles	33	-	-	33	-	-	33
Golf, Boys	1,172	1,775	2,786	161	-	-	161
Golf, Girls	8	224	232	-	-	-	-
Volleyball	-	-	-	-	-	-	-
Wrestling	-	-	-	-	-	-	-
Art Club	248	355	-	603	-	-	603
Band	235	-	-	235	-	-	235
Techno Club	1,136	-	93	1,043	-	-	1,043
FMD Program	381	250	-	631	-	-	631
Greenhouse	5,000	4,443	4,443	5,000	-	-	5,000
Culinary Catering	747	2,842	2,024	1,565	-	-	1,565
Library	77	116	-	193	-	-	193
Vo. Ag. Dept	113	111	224	-	-	-	-
Vocal Music	3	10,682	9,326	1,359	-	-	1,359
Eagle Graphics	3,112	-	-	3,112	-	-	3,112
Mock Trial Team	177	1,391	1,567	1	-	-	1
AFJROTC Logistical Support	2,032	11,469	12,791	710	-	-	710
Void	-	-	-	-	-	-	-
General - Dist Activity	-	49,936	49,936	-	-	-	-
Library- Dist Activity	-	1,397	1,397	-	-	-	-
Athletic- Dist Activity	-	59,982	59,982	-	-	-	-
Field Trip- Dist Activity	-	-	-	-	-	-	-
Sub Total	126,251	318,370	301,704	142,917	-	-	142,917
Interfund Transfers	-	5,373	5,373	-	-	-	-
<b>TOTAL</b>	<b>\$ 126,251</b>	<b>\$ 312,997</b>	<b>\$ 296,331</b>	<b>\$ 142,917</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 142,917</b>

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**MADISON COUNTY SCHOOL DISTRICT**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED June 30, 2020

FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS THROUGH ENTITY IDENTIFYING NUMBER	PROVIDED TO SUBRECIPIENTS	TOTAL FEDERAL EXPENDITURES
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Child Nutrition Cluster -				
Passed Through State Department of Education:				
National School Lunch	10.555	7750002-19		\$ 709,750
		7750002-20		2,062,374
School Breakfast Program	10.553	7760005-19		428,011
		7760005-20		1,204,290
Summer Food Service Program for Children	10.559	7690024-19		41,411
		7690024-20		264,362
		7740023-19		222,578
		7740023-20		3,162,046
Non-Cash Assistance (Commodities)				
National School Lunch Program	10.555	057502-02		452,620
<b>TOTAL CHILD NUTRITION CLUSTER</b>				<b>8,547,442</b>
Passed Through State Department of Education:				
Child and Adult Care Food Program	10.558	7790021-19		72,289
		7790021-20		579,120
		7800016-19		5,035
		7800016-20		40,335
				696,779
State Administrative Expenses for Child Nutrition	10.560	7700001-19		8,391
Child Nutrition Discretionary Grants Limited Availability	10.579	7840027-18		45,000
<b>TOTAL U.S. DEPT. OF AGRICULTURE</b>				<b>9,297,612</b>
<u>U.S. DEPARTMENT OF DEFENSE</u>				
National Guard Civilian Youth Opportunities	12.000	GF - Direct		136,429
<b>TOTAL U.S. DEPT. OF DEFENSE</b>				<b>136,429</b>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Special Education Cluster -				
Passed Through State Department of Education:				
Special Education - Grants to States	84.027	3810002-18		472,626
		3810002-19		1,905,761
				2,378,387
Special Education - Preschool Grants	84.173	3800002-18		7,891
		3800002-19		95,169
				103,060
<b>TOTAL SPECIAL EDUCATION CLUSTER</b>				<b>2,481,447</b>
<u>OTHER U.S. DEPARTMENT OF EDUCATION PROGRAMS</u>				
Passed Through State Department of Education:				
Title I Grants to Local Educational Agencies	84.010	3100002-17		7,461
		3100002-18		814,791
		3100002-19		2,117,946
		3230002-19		410,220
		3100202-18		259,086
				3,609,504
Migrant Education, State Grant Program	84.011	3110002-18		73,548
		3110002-19		114,619
				188,167

The accompanying notes are an integral part of this schedule.

**MADISON COUNTY SCHOOL DISTRICT**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONCLUDED

YEAR ENDED June 30, 2020

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS THROUGH ENTITY IDENTIFYING NUMBER</u>	<u>PROVIDED TO SUBRECIPIENTS</u>	<u>TOTAL FEDERAL EXPENDITURES</u>
Career and Technical Education - Basic Grants to States	84.048	3710002-18 3710002-19		237 85,770 <hr/> 86,007
Rurual Education	84.358	3140002-19		<hr/> 49,661
English Language Acquisition State Grants	84.365	3300002-18 3300002-19		3,002 27,391 <hr/> 30,393
Supporting Effective Instruction - State Grants	84.367	3230002-18		<hr/> 23,711
Student Support and Academic Enrichment Program	84.424	3420002-17 3420002-18 3420002-19		430 18,747 227,782 <hr/> 246,959
Title I State Agency Program for Neglected and Delinquent Children	84.013	JJ-18 JJ-19		7,140 18,000 <hr/> 25,140
Passed Through Kentucky Office of Vocational Rehabilitation Rehabilitation Service - Vocational Rehabilitation Grants to States	84.126	OVR-19		<hr/> 44,545
Passed Through Berea College				
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	BCGU-19 BCGU-20		93,674 917,041 <hr/> 1,010,715
TOTAL U.S. DEPARTMENT OF EDUCATION				<hr/> 7,796,249
<u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u>				
Passed Through Berea College: Americorps	94.006	BCAC-19 BCAC-20		22,193 27,773 <hr/> 49,966
TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				<hr/> 49,966
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
Passed Through Madison County: Chemical Stockpile Emergency Preparedness Program	97.040	GF-025X		<hr/> 420,660
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY				<hr/> 420,660
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ -</u>	<u>\$ 17,700,916</u>

The accompanying notes are an integral part of this schedule.

## **MADISON COUNTY SCHOOL DISTRICT**

### **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year Ended June 30, 2020

#### **NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Madison County School District under programs of the federal government for the year ended June 30, 2020. The information in this 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 Madison County School District, it is not intended to and does not present the financial position, changes in net position or cash flows of Madison County School District.

#### **NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the accrual basis of accounting for proprietary funds and the modified accrual basis of accounting for governmental funds. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments 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 C – FOOD DISTRIBUTION**

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

#### **NOTE D – INDIRECT COST RATE**

The District has elected to not use the 10 percent de minimum indirect cost rate allowed under the Uniform Guidance.



**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**MADISON COUNTY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2020**

**Section I – Summary of Auditor’s Results**

**Financial Statements:**

Type of auditor’s report issued (unmodified):

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_yes \_\_\_X\_\_\_no
  
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_yes \_\_\_X\_\_\_none reported

Noncompliance material to financial statements noted? \_\_\_\_\_yes \_\_\_X\_\_\_no

**Federal Awards:**

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_yes \_\_\_X\_\_\_no
  
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_yes \_\_\_X\_\_\_none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_yes \_\_\_X\_\_\_no

**Section I – Summary of Auditor’s Results - Continued**

Identification of major programs:

CFDA Number	Federal Program or Cluster
<b>DEPARTMENT OF EDUCATION</b>	
84.010	Title I Grants to Local Educational Agencies
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs

Dollar threshold used to distinguish  
Between type A and type B programs:                   \$ 750,000

Auditee qualified as low-risk auditee?                    yes    no

**Section II – Financial Statement Findings**

**No matters were reported.**

**Section III – Federal Award Findings and Questioned Costs**

**No matters were reported.**

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

**MADISON COUNTY SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

June 30, 2020

There were no prior year audit findings.

**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***



HCA

Heartland CPAs and Advisors PLLC

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Madison County School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Madison County School District's basic financial statements, and have issued our report thereon dated November 6, 2020.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## **Compliance and Other Matters**

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

We noted certain matters that we reported to management of Madison County School District in a separate letter dated November 6, 2020.

## **Purpose of this Report**

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



Heartland CPAs and Advisors, PLLC  
Elizabethtown, Kentucky  
November 6, 2020



**INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**



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Heartland CPAs and Advisors PLLC

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**INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

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

**Report on Compliance for Each Major Federal Program**

We have audited Madison County School District's compliance with the types of compliance requirements described in the *OMB 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, 2020. Madison County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Madison County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 requirements prescribed by the Kentucky State Committee for School District Audits in Appendices I and II of the Independent Auditor's Contract. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Madison County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Madison County School District's compliance.

## Opinion on Each Major Federal Program

In our opinion, Madison County School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

## Report on Internal Control Over Compliance

Management of Madison County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Madison County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Madison County School District's internal control over compliance.

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

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

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



Heartland CPAs and Advisors, PLLC  
Elizabethtown, Kentucky  
November 6, 2020

**APPENDIX C**

**Madison County School District Finance Corporation  
School Building Refunding Revenue Bonds  
Series of 2021**

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**Continuing Disclosure Agreement**

## CONTINUING DISCLOSURE UNDERTAKING AGREEMENT

This Continuing Disclosure Undertaking Agreement ("Agreement") made and entered into as of the 10th day of February, 2021, by and between the Board of Education of Madison County, Kentucky School District ("Board"); the Madison County School District Finance Corporation, an agency and instrumentality of the Board ("Corporation") and the Registered and Beneficial Owners of the Bonds hereinafter identified as third party beneficiaries to this Agreement. For the purposes of this Agreement "Beneficial Owner" means the person or entity treated as the owner of the Bonds for federal income tax purposes and "Registered Owner" means the person or entity named on the registration books of the bond registrar.

### WITNESSETH:

WHEREAS, the Corporation has acted as issuing agency for the Board pursuant to the provisions of Section 162.385 of the Kentucky Revised Statutes ("KRS") and the Corporation's Bond Resolution in connection with the authorization, sale and delivery of \$2,495,000 of the Corporation's School Building Refunding Revenue Bonds, Series of 2021, dated as of February 10, 2021 ("Bonds"), which Bonds were offered for sale under the terms and conditions of a Final Official Statement ("FOS") prepared by RSA Advisors, LLC, Lexington, Kentucky ("Financial Advisor") and approved by the authorized representatives of the Board and the Corporation, and

WHEREAS, the Securities and Exchange Commission ("SEC"), pursuant to the Securities and Exchange Act of 1934, has amended the provisions of SEC Rule 15c2-12 relating to financial disclosures by the issuers of municipal securities under certain circumstances ("Rule"), and

WHEREAS, it is intended by the parties to this Agreement that all terms utilized herein shall have the same meanings as defined by the Rule, and

WHEREAS, the Board is an "obligated person" as defined by the Rule and subject to the provisions of said Rule, and

WHEREAS, failure by the Board and the Corporation to observe the requirements of the Rule will inhibit the subsequent negotiation, transfer and exchange of the Bonds with a resulting diminution in the market value thereof to the detriment of the Registered and Beneficial Owners of said Bonds and the Board;

NOW, THEREFORE, in order to comply with the provisions of the Rule and in consideration of the purchase of the Bonds by the Registered and Beneficial Owners, the parties hereto agree as follows:

### 1. ANNUAL FINANCIAL INFORMATION

The Board agrees to provide the annual financial information contemplated by Rule 15c2-12(b)(5)(i) relating to the Board for its fiscal years ending June 30 of each year to (a) the Municipal Securities Rulemaking Board ("MSRB"), or any successor thereto for purposes of its Rule, through the continuing disclosure service portal provided by the MSRB's Electronic Municipal Market Access ("EMMA") system as described in 1934 Act Release No. 59062, or any similar system that is acceptable to the Securities and Exchange Commission and (b) the State Information Depository ("SID"), if any (the Commonwealth of Kentucky has not established a SID as of the date of this Agreement) within nine (9) months of the close of each fiscal year.

For the purposes of the Rule "annual financial information" means financial information and operating data provided annually, of the type included in the FOS with respect to the Board in accordance with guidelines established by the National Federation of Municipal Analysts, and shall include annual audited financial statements for the Board in order that the recipients will be provided with ongoing information regarding revenues and operating expenses of the Board and the information provided in the FOS under the headings "OUTSTANDING BONDS", "BOND DEBT SERVICE", "DISTRICT STUDENT POPULATION", "LOCAL SUPPORT - Local Tax Rates, Property Assessment and Revenue Collections and SEEK Allotment". If audited financial statements are not available when the annual financial information is filed, unaudited financial statements shall be included, to be followed by audited financial statements when available.

The audited financial statements shall be prepared in accordance with Generally Accepted Accounting Principles, Generally Accepted Auditing Standards or in accordance with the appropriate sections of KRS or Kentucky Administrative Regulations.

The parties hereto agree that this Agreement is entered into among them for the benefit of those who become Registered and Beneficial Owners of the Bonds as third party beneficiaries to said Agreement.

## 2. MATERIAL EVENTS NOTICES

Under the Rule, Section 15c2-12(b)(5)(i)(C), the following sixteen (16) events must be disclosed within ten (10) business days following the occurrence of said event to MSRB via EMMA and the SID, if any:

- (1) Principal/interest payment delinquency;
- (2) Nonpayment related default, if material;
- (3) Unscheduled draw on debt service reserve reflecting financial difficulties;
- (4) Unscheduled draw on credit enhancement reflecting financial difficulties;
- (5) Substitution of credit or liquidity provider, or its failure to perform;
- (6) Adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the securities, or other material events affecting the tax status of the security;
- (7) Modifications to rights of security holders, if material;
- (8) Bond call, if material and tender offers;
- (9) Defeasance;
- (10) Release, substitution or sale of property securing the repayment of the security, if material;
- (11) Rating change;
- (12) Merger, consolidation, acquisition or sale of all or substantially all assets of an obligated person, other than in the ordinary course of business, and the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to such action, other than pursuant to its terms, if material;
- (13) Bankruptcy, insolvency, receivership or similar event of the obligated person;
- (14) Successor, additional or change in trustee, if material;
- (15) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material, and;
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

For purposes of this Agreement the term "financial obligation" means:

- (A) Debt obligation;

(B) Derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or

(C) Guarantee of paragraph (A) or (B) above.

Notice of said material events shall be given to the entities identified in this Section by the Board on a timely basis (within ten (10) business days of the occurrence). Notwithstanding the foregoing, the provisions of the documents under which the Bonds are authorized and issued do not provide for a debt service reserve, credit enhancements or credit or liquidity providers.

In accordance with Rule Section 15c2-12(b)(5)(i)(D), the Board agrees that in the event of a failure to provide the Annual Financial Information required under Section 1 of this Agreement, it will notify MSRB via EMMA of such failure in a timely manner.

The Finance Officer of the Board shall be the responsible person for filing the annual financial information and/or notices of the events set forth above within the time prescribed in this Agreement. The Board shall cause the Finance Officer to institute an internal tickler system as a reminder of the obligations set forth herein. By December 1 of each fiscal year and each 30 days thereafter the Finance Officer will contact the auditor for the Board to determine when the audited financial statements will be finalized. The Finance Officer will impress upon the auditor the necessity of having such audited financial report on or before March 15. Within 5 days of receipt of such audited financial report the finance officer will cause the annual financial information to be filed as required by this Agreement.

### **3. SPECIAL REQUESTS FOR INFORMATION**

Upon the request of any Registered or Beneficial Owner of the Bonds or the original purchaser of the Bonds or any subsequent broker-dealer buying or selling said Bonds on the secondary market ("Underwriters"), the Board shall cause financial information or operating data regarding the conduct of the affairs of the Board to be made available on a timely basis following such request.

### **4. DISCLAIMER OF LIABILITY**

The Board and the Corporation hereby disclaim any liability for monetary damages for any breach of the commitments set forth in this Agreement and remedies for any breach of the Board's continuing disclosure undertaking shall be limited to an action for specific performance or mandamus in a court of competent jurisdiction in Kentucky following notice and an opportunity to cure such a breach.

### **5. FINAL OFFICIAL STATEMENT**

That the Final Official Statement prepared by the Financial Advisor and approved by the authorized representatives of the Board and the Corporation is hereby incorporated in this Agreement as fully as if copied herein and the "annual financial information" required under Section 1 hereof shall in summary form update the specific information set forth in said FOS.

### **6. DURATION OF THE AGREEMENT**

This Agreement shall be in effect so long as any of the Bonds remain outstanding and unpaid; provided, however, that the right is reserved in the Board to delegate its responsibilities under the Agreement to a competent agent or trustee, or to adjust the format of the presentation of annual financial information so long as the intent and purpose of the Rule to present adequate and accurate financial information regarding the Board is served.

### **7. AMENDMENT; WAIVER**

Notwithstanding any other provision of this Agreement, the Board may amend this Agreement, and any provision of this Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 1, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the holders of the Bonds in the same manner as provided in the Bond Resolution for amendments to the Bond Resolution with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Registered Owners or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Agreement, the Board shall describe such amendment or waiver in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Board. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a material event under Section 15c2-12(b)(5)(i)(C) of the Rule, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

## 8. DEFAULT

In the event of a failure of the Board to comply with any provision of this Agreement, the Corporation may and, at the request of any Underwriter or any Registered Owner or Beneficial Owner of Bonds, shall take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Board to comply with its obligations under this Agreement. A default under this Agreement shall not be deemed an event of default under the Bond Resolution, and the sole remedy under this Agreement in the event of any failure of the Board to comply with this Agreement shall be an action to compel performance.

In witness whereof the parties hereto have executed this Agreement as of the date first above written.

BOARD OF EDUCATION OF  
MADISON COUNTY, KENTUCKY SCHOOL DISTRICT

\_\_\_\_\_  
Chairperson

Attest:

\_\_\_\_\_  
Secretary

MADISON COUNTY SCHOOL  
DISTRICT FINANCE CORPORATION

\_\_\_\_\_  
President

Attest:

\_\_\_\_\_  
Secretary



**APPENDIX D**

**Madison County School District Finance Corporation  
School Building Refunding Revenue Bonds  
Series of 2021**

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**Official Terms and Conditions of Bond Sale**

**OFFICIAL TERMS AND CONDITIONS OF BOND SALE**

**\$2,495,000\***

**Madison County School District Finance Corporation  
School Building Refunding Revenue Bonds, Series of 2021  
Dated as of February 10, 2021**

**SALE: January 13, 2021 AT 1:00 P.M., E.S.T.**

As published on PARITY®, a nationally recognized electronic bidding system, the Madison County School District Finance Corporation (the "Corporation") will until 1:00 P.M., E.S.T., on January 13, 2021 receive at the office of the Kentucky School Facilities Construction Commission, 700 Louisville Road, Carriage House, Frankfort, Kentucky, 40601, competitive bids for the purchase of \$2,495,000 principal amount of Madison County School District Finance Corporation School Building Refunding Revenue Bonds, Series of 2021 (the "Refunding Bonds"), dated and bearing interest from February 10, 2021, payable on October 1, 2021, and semi-annually thereafter on April 1 and October 1 of each year, in denominations in multiples of \$5,000 within the same maturity, maturing on April 1 in each of the years as follows:

<u>MATURITY</u>	<u>PRINCIPAL AMOUNT*</u>
2022	\$ 105,000
2023	110,000
2024	110,000
2025	115,000
2026	325,000
2027	330,000
2028	335,000
2029	345,000
2030	350,000
2031	370,000

\* Subject to Permitted Adjustment as described herein.

**REDEMPTION PROVISIONS**

The Bonds maturing on or after April 1, 2029 are subject to redemption at the option of the Corporation prior to their stated maturity on any date falling on or after April 1, 2028, in whole or in part, upon notice of such prior redemption being given by the Paying Agent in accordance with DTC requirements not less than thirty (30) days prior to the date of redemption, upon terms of the face amount, plus accrued interest, but without redemption premium.

Notwithstanding the foregoing, the Corporation reserves the right, upon thirty (30) days notice, to call the Bonds in whole or in part on any date at par for redemption upon the total destruction by fire, lightning, windstorm or other hazard of any building constituting the Project and apply casualty insurance proceeds to such purpose.

The Refunding Bonds are to be issued in fully registered form (both principal and interest). U.S. Bank National Association, Kentucky, the Bond Registrar and Paying Agent, shall remit interest on each semiannual due date to each Registered Owner of record as of the 15th day of the month preceding the due date which shall be Cede & Co., as the Nominee of The Depository Trust Company ("DTC"). Please see "Book-Entry-Only-System" below.

**MADISON COUNTY SCHOOL DISTRICT FINANCE CORPORATION**

The Corporation has been formed in accordance with the provisions of Sections 162.120 through 162.300 and Section 162.385 of the Kentucky Revised Statutes ("KRS"), and KRS Chapter 273 and KRS 58.180, as a

non-profit, non-stock corporation for the purpose of financing necessary school building facilities for and on behalf of the Board of Education of the Madison County, Kentucky School District (the "Board"). Under the provisions of existing Kentucky law, the Corporation is permitted to act as an agency and instrumentality of the Board for financing purposes and the legality of the financing plan to be implemented by the Bonds herein referred to has been upheld by the Kentucky Court of Appeals (Supreme Court) in the case of *White v. City of Middlesboro*, Ky. 414 S.W.2d 569.

#### **AUTHORITY AND PURPOSE**

The Refunding Bonds are being issued under and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky, including Sections 162.120 through 162.300, 162.385, and Section 58.180 of the Kentucky Revised Statutes, within the meaning of the decision of the Court of Appeals of Kentucky (Supreme Court) in the case of *Hemlepp v. Aronberg*, 369 S.W.2d 121, for the purpose of providing funds to retire the outstanding Madison County School District Finance Corporation School Building Revenue Bonds, Series of 2011, dated April 1, 2011 maturing April 1, 2022 and thereafter (the "Refunded Bonds") prior to their stated maturities on April 1, 2021.

#### **ADDITIONAL PARITY BONDS**

The Corporation has reserved the right and privilege of issuing additional bonds from time to time payable from the income and revenues of said lands and school building Projects and secured by a statutory mortgage lien and pledge of revenues, but only if and to the extent the issuance of such additional parity bonds are in accordance with the plans and specifications of the architect in charge of said Projects, which plans have been completed, approved by the Board, Commissioner of Education, and filed in the office of the Secretary of the Corporation.

#### **PROCEEDS TO RETIRE ALL BONDS OF PRIOR ISSUE**

The Refunded Bonds were issued under the authority of Sections 162.120 through 162.300 and 162.385 of the Kentucky Revised Statutes for the purpose of providing funds to finance the acquisition of land and renovation of existing building for Board's Central Office (the "Project"). Under the terms of the Resolution authorizing the Refunded Bonds, the Refunded Bonds are payable from the income and revenues of the Project financed from the proceeds thereof. The Refunded Bonds are secured by a lien upon and a pledge of revenues from the rental of the Project to the Board under a Contract, Lease and Option, dated April 1, 2011 (the "Prior Lease").

The total principal amount of the Refunded Bonds currently outstanding is \$2,600,000, scheduled to mature on April 1 in each of the years 2021 through 2031. The proceeds of the Refunding Bonds will be used to pay accruing interest on and retire on April 1, 2021 all of the Refunded Bonds

The 2021 Bond Resolution adopted by the Corporation's Board of Directors authorizes the payment and retirement of the Refunded Bonds including principal and accruing interest prior to their stated maturities through the deposit of the required amount of proceeds of the Refunding Bonds in the Bond and Interest Redemption Fund established for the Refunded Bonds or in a special Escrow Fund for application to the retirement of the Refunded Bonds.

The 2021 Bond Resolution expressly provides that upon delivery of the Refunding Bonds and the deposit of sufficient funds in accordance with the preceding paragraph neither the lien upon nor the pledge of the revenues from the rental of the Project under the Prior Lease shall constitute the security and source of payment for any of the Refunded Bonds and the Registered Owners of such Refunded Bonds shall be paid from and secured by the monies deposited in the Bond and Interest Redemption Fund established for the Refunded Bonds or in Escrow Fund for the retirement thereof upon the delivery of the Refunding Bonds.

#### **SECURITY FOR REFUNDING BONDS**

The Refunding Bonds will constitute a limited indebtedness of the Corporation and will be payable as to both principal and interest solely from the income and revenues of the school Project financed from the proceeds of the Refunded Bonds. The Refunding Bonds are secured by a lien upon and a pledge of the revenues derived from the

rental of the school Project to the Board under a Lease Agreement dated February 10, 2021 (the "2021 Lease"); provided, however, that said lien and pledge are on parity with similar liens and pledges securing certain of the Corporation's outstanding School Building Revenue Bonds previously issued to finance or refinance the building(s) in which the Project is located (the "Parity Bonds").

Under the 2021 Lease the Board has leased the school property securing the Refunding Bonds in accordance with the provisions of KRS 162.140 for an initial period from February 10, 2021 through June 30, 2021, with the option in the Board to renew said 2021 Lease from year to year for one year at a time, at annual rentals, sufficient in each year to enable the Corporation to pay, solely from the rentals due under the 2021 Lease, the principal and interest on all of the Refunding Bonds as same become due.

The 2021 Lease provides that the Prior Lease will be canceled effective upon the deposit of sufficient funds to provide for the retirement of the Refunded Bonds. The 2021 Lease provides further that so long as the Board exercises its annual renewal options, its rentals will be payable according to the terms and provisions of the 2021 Lease until April 1, 2031, the final maturity date of the Refunding Bonds, and such annual rentals shall be deposited as received in the Bond Fund for the Refunding Bonds and used and applied for the payment of all maturing principal of and interest on the Refunding Bonds.

Under the terms of the 2021 Lease , and any renewal thereof, the Board has agreed so long as the Bonds remain outstanding, and in conformance with the intent and purpose of KRS 160.160(5), in the event of a failure by the Board to pay the rentals due under the 2021 Lease , and unless sufficient funds have been transmitted to the Paying Agent, or will be so transmitted, for paying said rentals when due, the Board has granted under the terms of the 2021 Lease to the Corporation the right to notify and request the Kentucky Department of Education to withhold from the Board a sufficient portion of any undisbursed funds then held, set aside, or allocated to the Board and to request said Department or Commissioner of Education to transfer the required amount thereof to the Paying Agent for the payment of such rentals.

### **BIDDING CONDITIONS AND RESTRICTIONS**

(A)The terms and conditions of the sale of the Refunding Bonds are as follows:

(1) Bids must be made on Official Bid Form, contained in Information for Bidders available from the undersigned or RSA Advisors, LLC, Lexington, Kentucky, or by visiting [www.rsamuni.com](http://www.rsamuni.com) submitted manually, by facsimile or electronically via PARITY®.

(2) Electronic bids for the Bonds must be submitted through PARITY® and no other provider of electronic bidding services will be accepted. Subscription to the PARITY® Competitive Bidding System is required in order to submit an electronic bid. The Corporation will neither confirm any subscription nor be responsible for the failure of any prospective bidders to subscribe. For the purposes of the bidding process, the time as maintained by PARITY® shall constitute the official time with respect to all bids whether in electronic or written form. To the extent any instructions or directions set forth in PARITY® conflict with the terms of the Official Terms and Conditions of Sale of Bonds, this Official Terms and Conditions of Sale of Bonds shall prevail. Electronic bids made through the facilities of PARITY® shall be deemed an offer to purchase in response to the Notice of Bond Sale and shall be binding upon the bidders as if made by signed, sealed written bids delivered to the Corporation. The Corporation shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by PARITY®. The use of PARITY® facilities are at the sole risk of the prospective bidders. For further information regarding PARITY®, potential bidders may contact PARITY®, telephone (212) 404-8102. Notwithstanding the foregoing non-electronic bids may be submitted via facsimile or by hand delivery utilizing the Official Bid Form.

(3) The bid shall be not less than \$2,470,050 (99% of par) plus accrued interest. Interest rates shall be in multiples of 1/8 or 1/20 of 1% or both. Only one interest rate shall be permitted per Bond, and all Bonds of the same maturity shall bear the same rate. Interest rates must be on an ascending scale, in that the interest rate stipulated in any year may not be less than that stipulated for any preceding maturity. There is no limit on the number of different interest rates.

(4) The determination of the best purchase bid for said Refunding Bonds shall be made on the basis of all bids submitted for exactly \$2,495,000 principal amount of Refunding Bonds offered for sale under the terms and conditions herein specified; provided, however, the Corporation reserves the right to increase or decrease the total principal amount of Refunding Bonds sold to such best bidder, in the amount of not exceeding \$250,000, with such increase or decrease to be made in any maturity, and the total amount of Refunding Bonds awarded to such best bidder will be a minimum of \$2,245,000 or a maximum of \$2,745,000. In the event of any such adjustment, no rebidding or recalculation of a submitted bid will be required or permitted. The price at which such adjusted principal amount of Bonds will be sold will be at the same price per \$5,000 of Refunding Bonds as the price per \$5,000 for the \$2,495,000 of Refunding Bonds bid.

(5) If three (3) or more bids for the Bonds are received as a result of this competitive sale, the successful purchaser will be required to certify on or before the issue date the reasonably expected initial offering price to the public as of the Sale Date for each Maturity of the Bonds which prices are the prices for each Maturity of the Bonds used by the successful purchaser in formulating its bid to purchase the Bonds.

If less than three (3) bids for the Bonds are received as a result of this competitive sale, the successful purchaser, by submitting a bid pursuant to a published Notice of Sale, has agreed in writing that they will certify on or before the issue date (and provide reasonable supporting documentation for such Certification, such as a copy of the Pricing wire or equivalent communication) for each Maturity of the Bonds (i) the first price at which at least 10% of each Maturity of the Bonds was sold to the Public, or (ii) that they will neither offer nor sell any of the Bonds of each Maturity to any person at a price that is higher than the Initial Offering Price for such maturity during the Holding Period for such Maturity.

Bids will not be subject to cancellation or withdrawal by the bidder in the event that three bids are not received and the Issuer determines to apply the hold-the-offering-price rule.

For purposes of the above the following terms are defined as follows:

(a) *Holding Period* means, with respect to a Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the successful purchaser has sold at least 10% of such Maturity to the Public at prices that are no higher than the Initial Offering Price for such Maturity.

(b) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(c) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.

(d) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is January 13, 2021.

(e) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

(6) The successful bidder may elect to notify the Financial Advisor within twenty-four (24) hours of the award of the Bonds that certain serial maturities as awarded may be combined with immediately

succeeding serial maturities as one or more Term Bonds; provided, however, (a) bids must be submitted to permit only a single interest rate for each Term Bond specified, and (b) Term Bonds will be subject to mandatory redemption by lot on May 1 in accordance with the maturity schedule setting the actual size of the issue.

(7) The successful purchaser shall be required (without further advice from the Corporation) to wire transfer an amount equal to 2% of the principal amount of Refunding Bonds actually awarded to the Paying Agent U.S. Bank National Association, Kentucky, Attn: Mr. Charles Lush (502-562-6436) by the close of business on the day following the award as a good faith deposit said amount will be applied (without interest) to the purchase price upon delivery and will be forfeited if the purchaser fails to take delivery.

(8) All Refunding Bonds of the same maturity shall bear the same and a single interest rate from the date thereof to maturity.

(9) The right to reject bids for any reason deemed acceptable by the Corporation, and the right to waive any possible informalities or irregularities in any bid, which in the sole judgment of the Corporation shall be minor or immaterial, is expressly reserved.

(10) CUSIP identification numbers will be printed on the Refunding Bonds at the expense of the Corporation. The purchaser shall pay the CUSIP Service Bureau assignment charge. Improper imprintation or the failure to imprint CUSIP numbers shall not constitute cause for a failure or refusal by the purchaser to accept delivery of and pay for said Refunding Bonds in accordance with the terms of any accepted proposal for the purchase of said Bonds.

(B) The Bonds will be delivered utilizing the DTC Book-Entry-Only-System.

(C) Said Bonds are offered for sale on the basis of the principal of said Bonds not being subject to Kentucky ad valorem taxation and on the basis of the interest on said Bonds not being subject to Federal or Kentucky income taxation on the date of their delivery to the successful bidder. See TAX EXEMPTION below.

(D) The Corporation will provide to the successful purchaser a Final Official Statement in accordance with SEC Rule 15c2-12. A Final Official Statement will be provided in Electronic Form to the successful bidder, in sufficient time to meet the delivery requirements of the successful bidder under SEC and Municipal Securities Rulemaking Board Delivery Requirements. The successful bidder will be required to pay for the printing of Final Official Statements.

(E) If, prior to the delivery of the Bonds, any event should occur which alters the tax exempt status of the Bonds, or of the interest thereon, the purchaser shall have the privilege of avoiding the purchase contract by giving immediate written notice to the Corporation, whereupon the good faith check of the purchaser will be returned to the purchaser, and all respective obligations of the parties will be terminated.

(F) The Corporation and the Board agree to cooperate with the successful bidder in the event said purchaser desires to purchase municipal bond insurance regarding the Refunding Bonds; provided, however, that any and all expenses incurred in obtaining said insurance shall be solely the obligation of the successful bidder should the successful bidder so elect to purchase such insurance.

## **STATE SUPPORT OF EDUCATION**

The 1990 Regular Session of the General Assembly of the Commonwealth enacted a comprehensive legislative package known as the Kentucky Education Reform Act ("KERA") designed to comply with the mandate of the Kentucky Supreme Court that the General Assembly provide for as efficient and equitable system of schools throughout the State.

KERA became fully effective on July 13, 1990. Elementary and Secondary Education in the Commonwealth is supervised by the Commissioner of Education as the Chief Executive Officer of the State Department of Education ("DOE"), an appointee of the reconstituted State Board for Elementary and Secondary Education (the "State Board"). Some salient features of KERA are as follows:

KRS 157.330 establishes the fund to Support Education Excellence in Kentucky ("SEEK") funded from biennial appropriations from the General Assembly for distribution to school districts. The base funding guaranteed to each school district by SEEK for operating and capital expenditures is determined in each fiscal year by dividing the total annual SEEK appropriation by the state-wide total of pupils in average daily attendance ("ADA") in the preceding fiscal year; the ADA for each district is subject to adjustment to reflect the number of at risk students (approved for free lunch programs under state and federal guidelines), number and types of exceptional children, and transportation costs.

KRS 157.420 establishes a formula which results in the allocation of funds for capital expenditures in school districts at \$100 per ADA pupil which is included in the SEEK allotment (\$4,000) for the current biennium which is required to be segregated into a Capital Outlay Allotment Fund which may be used only for (1) direct payment of construction costs; (2) debt service on voted and funding bonds; (3) lease rental payments in support of bond issues; (4) reduction of deficits resulting from over expenditures for emergency capital construction; and (5) a reserve for each of the categories enumerated in 1 through 4 above.

KRS 157.440(1) requires that effective for fiscal years beginning July 1, 1990 each school district shall levy a minimum equivalent tax rate of \$.30 for general school purposes. The equivalent tax rate is defined as the rate which results when the income collected during the prior year from all taxes levied by the district (including utilities gross receipts license and special voted) for school purposes is divided by the total assessed value of property, plus the assessment for motor vehicles certified by the Revenue Cabinet of the Commonwealth. Any school district board of education which fails to comply with the minimum equivalent tax rate levy shall be subject to removal from office.

KRS 157.440(2) provides that for fiscal years beginning July 1, 1990 each school district may levy an equivalent tax rate which will produce up to 15% of those revenues guaranteed by the SEEK program. Any increase beyond the 4% annual limitation imposed by KRS 132.017 is not subject to the recall provisions of that Section. Revenue generated by the 15% levy is to be equalized at 150% of the state-wide average per pupil equalized assessment.

KRS 157.440(2) permits school districts to levy up to 30% of the revenue guaranteed by the SEEK program, plus the revenue produced by the 15% levy, but said additional tax will not be equalized with state funds and will be subject to recall by a simple majority of those voting on the question.

KRS 157.620(1) also provides that in order to be eligible for participation from the Kentucky School Facilities Construction Commission for debt service on bond issues the district must levy a tax which will produce revenues equivalent to \$.05 per \$100 of the total assessed value of all property in the district (including tangible and intangible property and motor vehicles) in addition to the minimum \$.30 levy required by KRS 160.470(12). A district having a special voted tax which is equal to or higher than the required \$.05 tax, must commit and segregate for capital purposes at least an amount equal to the required \$.05 tax. Those districts which levy the additional \$.05 tax are also eligible for participation in the Kentucky Facilities Support ("KFS") program for which funds are appropriated separately from SEEK funds and are distributed to districts in accordance with a formula taking into account outstanding debt and funds available for payment from both local and state sources under KRS 157.440(1)(b).

KRS 160.460 provides that as of July 1, 1994 all real property located in the Commonwealth subject to local taxation shall be assessed at 100% of fair cash value.

## **BIENNIAL BUDGET FOR PERIOD ENDING JUNE 30, 2022**

The Kentucky General Assembly is required by the Kentucky Constitution to adopt measures providing for the state's revenues and appropriations for each fiscal year. The Governor is required by law to submit a biennial State Budget (the "State Budget") to the General Assembly during the legislative session held in each even numbered year. State Budgets have generally been adopted by the General Assembly during those legislative sessions, which end in mid-April, to be effective upon the Governor's signature for appropriations commencing for a two-year period beginning the following July 1.

In the absence of a legislatively enacted budget, the Supreme Court has ruled the Governor has no authority to spend money from the state treasury except where there is a statutory, constitutional or federal mandate and the Commonwealth may be prevented from expending funds for certain state governmental functions, including the ability to pay principal of, premium, if any, and interest, when due, on obligations that are subject to appropriation.

Due to the unforeseen nature on the economy of the Commonwealth caused by the COVID-19 pandemic, in its 2020 regular session, the General Assembly adopted only a one-year budget for the biennial period ending June 30, 2022 which was approved and signed by the Governor. The biennial budget will be reviewed and supplemented during the General Assembly's 2021 regular session. Such budget became effective beginning July 1, 2020. The Office of the State Budget Director makes available on its website monthly updates to the General Fund receipts and other Funds of the commonwealth. When published, the updates can be found at [www.osbd.ky.gov](http://www.osbd.ky.gov).

### **POTENTIAL LEGISLATION**

No assurance can be given that any future legislation, including amendments to the Code, if enacted into law, or changes in interpretation of the Code, will not cause interest on the Refunding Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent owners of the Refunding Bonds from realizing the full current benefit of the tax exemption of such interest. In addition, current and future legislative proposals, if enacted into law, may cause interest on state or local government bonds (whether issued before, on the date of, or after enactment of such legislation) to be subject, directly or indirectly, to federal income taxation by, for example, changing the current exclusion or deduction rules to limit the amount of interest on such bonds that may currently be treated as tax exempt by certain individuals. Prospective purchasers of the Refunding Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation.

Further, no assurance can be given that the introduction or enactment of any such future legislation, or any action of the IRS, including but not limited to regulation, ruling, or selection of the Refunding Bonds for audit examination, or the course or result of any IRS examination of the Refunding Bonds or obligations which present similar tax issues, will not affect the market price for the Refunding Bonds.

### **CONTINUING DISCLOSURE**

As a result of the Board and issuing agencies acting on behalf of the Board offering for public sale municipal securities in excess of \$1,000,000, the Corporation and the Board will enter into a written agreement for the benefit of all parties who may become Registered or Beneficial Owners of the Bonds whereunder said Corporation and Board will agree to comply with the provisions of the Municipal Securities Disclosure Rules set forth in Securities and Exchange Commission Rule 15c2-12 (the "Rule") by filing annual financial statements and material events notices with the Electronic Municipal Market Access ("EMMA") System maintained by the Municipal Securities Rule Making Board.

Financial information regarding the Board may be obtained from Superintendent, Madison County Board of Education, PO Box 768, Richmond, Kentucky 40467 (859-624-4500).

### **TAX EXEMPTION; NOT BANK QUALIFIED**

Bond Counsel advises as follows:

(A) The Refunding Bonds and the interest thereon are exempt from income and ad valorem taxation by the Commonwealth of Kentucky and all of its political subdivisions.

(B) The interest income from the Refunding Bonds is excludable from the gross income of the recipient thereof for Federal income tax purposes under existing law and interest on the Bonds will not be a specific item of tax preference for purposes of calculating the Federal alternative minimum tax.



(C) As a result of certifications by the Board and the Corporation, indicating the issuance of more than \$10,000,000 of tax-exempt obligations during the calendar year ending December 31, 2021, the Refunding Bonds may not be treated by financial institutions as "qualified tax-exempt obligations" under Section 265(b)(3) of the Code.

### **BOOK-ENTRY-ONLY-SYSTEM**

The Refunding Bonds shall utilize the Book-Entry-Only-System administered by The Depository Trust Company ("DTC").

DTC will act as securities depository for the Bonds. The Bonds initially will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond Certificate will be issued, in the aggregate principal amount of the Bonds, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. "Direct Participants" include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its participants are on file with the Securities and Exchange Commission.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds ("Beneficial Ownership Interest") are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their Beneficial Ownership interests in Bonds, except in the event that use of the book-entry system for the Securities is discontinued. Transfers of ownership interest in the Securities are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co., effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners, will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Bonds to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments of the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' account on payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Issuer, or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer or the Trustee, disbursements of such payments to Direct Participants shall be the responsibility of DTC, and disbursements of such payment to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Beneficial Ownership Interests purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Beneficial Ownership Interests by causing the Direct Participant to transfer the Participant's interest in the Beneficial Ownership Interests, on DTC's records, to the purchaser or the Trustee, as appropriate. The requirements for physical delivery of Bonds in connection with a demand for purchase or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Bond Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered by the Bond Registrar.

NEITHER THE ISSUER, THE BOARD NOR THE BOND REGISTRAR/PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE BOND REGISTRAR/PAYING AGENT AS BEING AN OWNER WITH RESPECT TO: (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PURCHASE PRICE OF TENDERED BONDS OR THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (4) THE DELIVERY BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE BOND RESOLUTION TO BE GIVEN TO HOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS HOLDER.

**MADISON COUNTY SCHOOL DISTRICT  
FINANCE CORPORATION**

By /s/ David Gilliam  
Secretary

**APPENDIX E**

**Madison County School District Finance Corporation  
School Building Refunding Revenue Bonds  
Series of 2021**

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**Official Bid Form**

**OFFICIAL BID FORM  
(Bond Purchase Agreement)**

The Madison County School District Finance Corporation ("Corporation"), will until 1:00 P.M., E.S.T., on January 13, 2021, receive in the office of the Executive Director of the Kentucky School Facilities Construction Commission, 700 Louisville Road, Carriage House, Frankfort, Kentucky, 40601, (telephone 502-564-5582; Fax 888-979-6152) competitive bids for its \$2,495,000 School Building Refunding Revenue Bonds, Series of 2021, dated as of February 10, 2021; maturing April 1, 2022 through 2031 ("Bonds").

We hereby bid for said \$2,495,000\* principal amount of Bonds, the total sum of \$\_\_\_\_\_ (not less than \$2,470,050) plus accrued interest from February 10, 2021 payable October 1, 2021 and semiannually thereafter (rates on ascending scale in multiples of 1/8 or 1/20 of 1%; number of interest rates unlimited) and maturing as to principal on April 1 in each of the years as follows:

<u>Year</u>	<u>Amount*</u>	<u>Rate</u>
2022	\$ 105,000	_____ %
2023	110,000	_____ %
2024	110,000	_____ %
2025	115,000	_____ %
2026	325,000	_____ %
2027	330,000	_____ %
2028	335,000	_____ %
2029	345,000	_____ %
2030	350,000	_____ %
2031	370,000	_____ %

\* Subject to Permitted Adjustment up to \$250,000

We understand this bid may be accepted for as much as \$2,745,000 of Bonds or as little as \$2,245,000 of Bonds, at the same price per \$5,000 Bond, with the variation in such amount occurring in any maturity or all maturities, which will be determined by the Secretary of the Corporation at the time of acceptance of the best bid.

We further understand that by submitting a bid we agree as follows:

If three (3) or more bids for the Bonds are received as a result of this competitive sale, the successful purchaser will be required to certify on or before the issue date the reasonably expected initial offering price to the public as of the Sale Date for each Maturity of the Bonds which prices are the prices for each Maturity of the Bonds used by the successful purchaser in formulating its bid to purchase the Bonds.

If less than three (3) bids for the Bonds are received as a result of this competitive sale, the successful purchaser, by submitting a bid pursuant to a published Notice of Sale, has agreed in writing that they will certify on or before the issue date (and provide reasonable supporting documentation for such Certification, such as a copy of the Pricing wire or equivalent communication) for each Maturity of the Bonds (i) the first price at which at least 10% of each Maturity of the Bonds was sold to the Public, or (ii) that they will neither offer nor sell any of the Bonds of each Maturity to any person at a price that is higher than the Initial Offering Price for such maturity during the Holding Period for such Maturity.

Bids will not be subject to cancellation or withdrawal by the bidder in the event that three bids are not received and the Issuer determines to apply the hold-the-offering-price rule.

For purposes of the above the following terms are defined as follows:

(a)*Holding Period* means, with respect to a Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the successful purchaser has sold at least 10% of such Maturity to the Public at prices that are no higher than the Initial Offering Price for such Maturity.

(b)*Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(c)*Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.

(d)*Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is January 13, 2021.

(e)*Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

Electronic bids for the Bonds must be submitted through PARITY® and no other provider of electronic bidding services will be accepted. Subscription to the PARITY® Competitive Bidding System is required in order to submit an electronic bid. The Corporation will neither confirm any subscription nor be responsible for the failure of any prospective bidders to subscribe. For the purposes of the bidding process, the time as maintained by PARITY® shall constitute the official time with respect to all bids whether in electronic or written form. To the extent any instructions or directions set forth in PARITY® conflict with the terms of the Official Terms and Conditions of Sale of Bonds, this Official Terms and Conditions of Sale of Bonds shall prevail. Electronic bids made through the facilities of PARITY® shall be deemed an offer to purchase in response to the Notice of Bond Sale and shall be binding upon the bidders as if made by signed, sealed written bids delivered to the Corporation. The Corporation shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by

PARITY®. The use of PARITY® facilities are at the sole risk of the prospective bidders. For further information regarding PARITY®, potential bidders may contact PARITY®, telephone (212) 404-8102.

The successful bidder may elect to notify the Financial Advisor within twenty-four (24) hours of the award of the Bonds that certain serial maturities as awarded may be combined with immediately succeeding serial maturities as one or more Term Bonds; provided, however, (a) bids must be submitted to permit only a single interest rate for each Term Bond specified, and (b) Term Bonds will be subject to mandatory redemption by lot on April 1 in accordance with the maturity schedule setting the actual size of the issue.

The DTC Book-Entry-Only-System will be utilized on delivery of this issue.

It is understood that the Corporation will furnish the final, approving Legal Opinions of Steptoe & Johnson PLLC, Bond Counsel, Louisville, Kentucky.

No certified or bank cashier's check will be required to accompany a bid, but the successful bidder shall be required to wire transfer an amount equal to 2% of the principal amount of Refunding Bonds awarded by the close of business on the date following the award. Said good faith amount will be applied (without interest) to the purchase price on delivery. Wire transfer procedures should be arranged through U.S. Bank National Association, Louisville, Kentucky, Attn: Mr. Charles Lush (502-562-6436).

Bids must be submitted only on this form and must be fully executed.

If we are the successful bidder, we agree to accept and make payment for the Bonds in Federal Funds on or about February 10, 2021 and upon acceptance by the Issuer's Financial Advisor this Official Bid Form shall become the Bond Purchase Agreement.

Respectfully submitted,

\_\_\_\_\_ Bidder

By \_\_\_\_\_  
Authorized Officer

\_\_\_\_\_ Address

Total interest cost from February 10, 2021 to final maturity	\$ _____
Plus discount or less any premium	\$ _____
Net interest cost (Total interest cost plus discount or less any premium)	\$ _____
Average interest rate or cost (ie NIC)	_____ %

The above computation of net interest cost and of average interest rate or cost is submitted for information only and is not a part of this Bid.

Accepted by RSA Advisors, LLC, as Agent for the Madison County School District Finance Corporation for \$ \_\_\_\_\_ amount of Bonds at a price of \$ \_\_\_\_\_ as follows:

<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Year</u>	<u>Amount</u>	<u>Rate</u>
2022	_____,000	_____%	2027	_____,000	_____%
2023	_____,000	_____%	2028	_____,000	_____%
2024	_____,000	_____%	2029	_____,000	_____%
2025	_____,000	_____%	2030	_____,000	_____%
2026	_____,000	_____%	2031	_____,000	_____%

Dated: January 13, 2021

\_\_\_\_\_  
RSA Advisors, LLC, Municipal Advisor and  
Agent for Madison County School District Finance Corporation