

MADISON COUNTY SCHOOL DISTRICT NO. 2
NORFOLK PUBLIC SCHOOLS

FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2015
TOGETHER WITH INDEPENDENT AUDITORS' REPORT

MADISON COUNTY SCHOOL DISTRICT NO. 2
NORFOLK PUBLIC SCHOOLS

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NORFOLK PUBLIC SCHOOLS

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Madison County School District No. 2
Norfolk Public Schools
Madison County, Nebraska

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Madison County School District No. 2, Norfolk Public Schools (the District), as of and for the fiscal year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District'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 modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Madison County School District No. 2, Norfolk Public Schools as of August 31, 2015, and the respective changes in modified cash basis financial position, thereof for the fiscal year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to that matter.

Emphasis of Matter

As described in Note 3 to the financial statements, the District contributes to a cost-sharing multiple-employer defined benefit pension plan administered by the Nebraska Public Employees Retirement System (NPERS). The pension plan administered by NPERS has a June 30 fiscal year end and its audited financial statements are generally not made publically available until after November 5th, which is the deadline for Nebraska school districts to submit their audited financial statements to the Nebraska Department of Education and the Nebraska Auditor of Public Accounts. Due to this issue, the District, which is required to comply with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, is not able to include the most current year end information in Note 3 regarding the pension plan the District contributes to. The District is using information released by NPERS for the pension plan's fiscal year ended June 30, 2014. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Madison County School District No. 2, Norfolk Public Schools' basic financial statements. The budgetary comparison schedules on pages 29 through 44, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

The budgetary comparison schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2015, on our consideration of Madison County School District No. 2, Norfolk Public Schools' 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 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 No. 2, Norfolk Public Schools' internal control over financial reporting and compliance.



KRUSE, SCHUMACHER, SMEJKAL & BROCKHAUS, P.C.
Certified Public Accountants

Norfolk, Nebraska
October 12, 2015

MADISON COUNTY SCHOOL DISTRICT NO. 2
NORFOLK PUBLIC SCHOOLS

STATEMENT OF NET POSITION
MODIFIED CASH BASIS

AUGUST 31, 2015

	<u>Governmental Activities</u>
Assets	
Cash in Bank	\$ 14,980,260
Cash at County Treasurers	5,817,693
Investments	<u>18,814,332</u>
Total Assets	<u>\$ 39,612,285</u>
Net Position	
Restricted for	
Capital Projects	\$ 4,897,876
Debt Services	7,196,579
Unrestricted	<u>27,517,830</u>
Total Net Position	<u>\$ 39,612,285</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL
PART OF THE FINANCIAL STATEMENTS

MADISON COUNTY SCHOOL DISTRICT NO. 2
NORFOLK PUBLIC SCHOOLS

STATEMENT OF ACTIVITIES
MODIFIED CASH BASIS

FOR THE FISCAL YEAR ENDED AUGUST 31, 2015

	<u>Expenditures</u>	<u>Program Receipts</u>		<u>Net</u>
		<u>Charges for</u>	<u>Operating</u>	<u>(Expenditures)</u>
Functions/Programs:		<u>Services</u>	<u>Grants and</u>	<u>Receipts</u>
Governmental Activities:			<u>Contributions</u>	
Regular Instruction	\$ 14,674,794	\$ -	\$ -	\$ (14,674,794)
Limited English Proficiency Programs	591,815	-	-	(591,815)
Poverty Programs	2,913,430	-	-	(2,913,430)
Early Childhood Educational Program	73,854	-	-	(73,854)
Special Education Instructional Programs	6,234,497	351,019	2,707,753	(3,175,725)
Early Childhood Special Education	150,575	-	-	(150,575)
Support Services				
Pupils	4,321,341	784,279	1,098,422	(2,438,640)
Pupils - Safety & Security	118,619	-	-	(118,619)
Staff	1,178,661	-	-	(1,178,661)
School Improvement	105,113	-	-	(105,113)
Implementation of Standards	103,883	-	-	(103,883)
Board of Education	70,034	-	-	(70,034)
Executive Administration Services	304,637	-	-	(304,637)
District Legal Services	24,801	-	-	(24,801)
Office of the Principal	2,355,075	-	-	(2,355,075)
Business - Gen. Admin. - Business Serv.	1,355,844	-	-	(1,355,844)
Business - Vehicle Acquisition & Main.	181,418	-	-	(181,418)
Main. & Oper. of Buildings and Sites	6,808,472	-	-	(6,808,472)
Regular Pupil Transportation	152,390	-	-	(152,390)
Special Education Pupil Transportation	42,821	-	40,666	(2,155)
Below Age Five SPED Transportation	6,194	-	-	(6,194)
State Categorical Programs	26,280	-	34,181	7,901
Federal Programs	2,440,790	-	2,446,394	5,604
Debt Service	2,689,820	-	-	(2,689,820)
Summer School	240,728	-	-	(240,728)
Total Governmental Activities	<u>\$ 47,165,886</u>	<u>\$ 1,135,298</u>	<u>\$ 6,327,416</u>	<u>\$ (39,703,172)</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL
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MADISON COUNTY SCHOOL DISTRICT NO. 2
NORFOLK PUBLIC SCHOOLS

STATEMENT OF ACTIVITIES
MODIFIED CASH BASIS

FOR THE FISCAL YEAR ENDED AUGUST 31, 2015

General Receipts:	
Taxes:	
Property	\$ 23,509,565
Carline	5,098
Public Power District Sales	846,159
Motor Vehicle	2,177,046
Interest	106,228
Other Local Receipts	183,242
County Receipts	444,619
State Receipts	13,406,301
Federal Receipts	217,467
Sale of Bonds	4,555,000
Other Non-Revenue Receipts	<u>44,100</u>
Total General Receipts	<u>\$ 45,494,825</u>
Change in Net Position	\$ 5,791,653
Net Position - Beginning of Year	<u>\$ 33,820,632</u>
Net Position - End of Year	<u><u>\$ 39,612,285</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL
PART OF THE FINANCIAL STATEMENTS

MADISON COUNTY SCHOOL DISTRICT NO. 2
NORFOLK PUBLIC SCHOOLS

GOVERNMENTAL FUNDS STATEMENT OF ASSETS AND
FUND BALANCES - MODIFIED CASH BASIS

AUGUST 31, 2015

	<u>General</u> <u>Fund</u>	<u>Depreciation</u> <u>Fund</u>	<u>Bond</u> <u>Fund</u>	<u>Special</u> <u>Building</u> <u>Fund</u>	<u>Qualified</u> <u>Capital</u> <u>Purpose</u> <u>Undertaking</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Assets							
Cash in Bank	\$ 5,700,216	\$ 3,735,606	\$ 2,114,538	\$ 1,963,229	\$ 596,578	\$ 870,093	\$ 14,980,260
Cash at County Treasurers	5,048,666	-	467,086	45,487	232,612	23,842	5,817,693
Investments	9,605,979	2,533,428	721,938	1,920,829	4,032,158	-	18,814,332
	<u>20,354,861</u>	<u>6,269,034</u>	<u>3,303,562</u>	<u>3,929,545</u>	<u>4,861,348</u>	<u>893,935</u>	<u>39,612,285</u>
Total Assets	<u>\$ 20,354,861</u>	<u>\$ 6,269,034</u>	<u>\$ 3,303,562</u>	<u>\$ 3,929,545</u>	<u>\$ 4,861,348</u>	<u>\$ 893,935</u>	<u>\$ 39,612,285</u>
Fund Balances							
Restricted for:							
Capital Projects	\$ -	\$ -	\$ -	\$ 3,929,545	\$ 968,331	\$ -	\$ 4,897,876
Debt Service	-	-	3,303,562	-	3,893,017	-	7,196,579
Committed for:							
Capital Projects	-	6,269,034	-	-	-	-	6,269,034
Employee Benefits	-	-	-	-	-	23,797	23,797
Cooperative - Special Education	-	-	-	-	-	400,044	400,044
Food Service	-	-	-	-	-	470,094	470,094
Unassigned	20,354,861	-	-	-	-	-	20,354,861
	<u>20,354,861</u>	<u>6,269,034</u>	<u>3,303,562</u>	<u>3,929,545</u>	<u>4,861,348</u>	<u>893,935</u>	<u>39,612,285</u>
Total Fund Balances	<u>\$ 20,354,861</u>	<u>\$ 6,269,034</u>	<u>\$ 3,303,562</u>	<u>\$ 3,929,545</u>	<u>\$ 4,861,348</u>	<u>\$ 893,935</u>	<u>\$ 39,612,285</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL
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MADISON COUNTY SCHOOL DISTRICT NO. 2
NORFOLK PUBLIC SCHOOLS

GOVERNMENTAL FUNDS STATEMENT OF RECEIPTS, EXPENDITURES,
AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS

FOR THE FISCAL YEAR ENDED AUGUST 31, 2015

	<u>General Fund</u>	<u>Depreciation Fund</u>	<u>Bond Fund</u>	<u>Special Building Fund</u>	<u>Qualified Capital Purpose Undertaking Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts							
Taxes							
Property	\$ 20,223,966	\$ -	\$ 2,016,315	\$ 200,138	\$ 961,339	\$ 107,807	\$ 23,509,565
Carline	3,970	-	349	588	191	-	5,098
Public Power District Sales	846,159	-	-	-	-	-	846,159
Motor Vehicle Taxes	2,177,046	-	-	-	-	-	2,177,046
Tuition	-	-	-	-	-	351,019	351,019
Interest	58,222	13,788	13,025	11,950	6,134	3,109	106,228
Other Local Receipts	56,960	-	-	-	-	910,561	967,521
County Receipts	444,619	-	-	-	-	-	444,619
State Receipts	15,734,647	-	135,508	12,665	66,327	249,427	16,198,574
Federal Receipts	2,663,861	-	-	-	-	1,088,749	3,752,610
Other Non-Revenue Receipts	9,599	-	-	30,477	-	4,024	44,100
Total Receipts	<u>\$ 42,219,049</u>	<u>\$ 13,788</u>	<u>\$ 2,165,197</u>	<u>\$ 255,818</u>	<u>\$ 1,033,991</u>	<u>\$ 2,714,696</u>	<u>\$ 48,402,539</u>
Expenditures							
Regular Instruction	\$ 14,674,794	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,674,794
Limited English Proficiency Programs	591,815	-	-	-	-	-	591,815
Poverty Programs	2,913,430	-	-	-	-	-	2,913,430
Early Childhood Educational Program	73,854	-	-	-	-	-	73,854
Special Education Instructional Programs	5,566,198	-	-	-	-	668,299	6,234,497
Early Childhood Special Education	150,575	-	-	-	-	-	150,575
Support Services							
Pupils	2,234,060	-	-	-	-	2,087,281	4,321,341
Pupils - Safety & Security	118,619	-	-	-	-	-	118,619
Staff	1,178,661	-	-	-	-	-	1,178,661
School Improvement	105,113	-	-	-	-	-	105,113
Implementation of Standards	103,883	-	-	-	-	-	103,883
Board of Education	70,034	-	-	-	-	-	70,034

THE ACCOMPANYING NOTES ARE AN INTEGRAL
PART OF THE FINANCIAL STATEMENTS

MADISON COUNTY SCHOOL DISTRICT NO. 2
NORFOLK PUBLIC SCHOOLS

GOVERNMENTAL FUNDS STATEMENT OF RECEIPTS, EXPENDITURES,
AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS

FOR THE FISCAL YEAR ENDED AUGUST 31, 2015

	General Fund	Depreciation Fund	Bond Fund	Special Building Fund	Qualified Capital Purpose Undertaking Fund	Other Governmental Funds	Total Governmental Funds
Expenditures, Continued							
Executive Administration Services	304,637	-	-	-	-	-	304,637
District Legal Services	24,801	-	-	-	-	-	24,801
Office of the Principal	2,355,075	-	-	-	-	-	2,355,075
Business - Gen Admin - Business Serv	1,007,856	333,059	-	-	-	14,929	1,355,844
Business - Vehicle Acquisition & Maint.	181,418	-	-	-	-	-	181,418
Main. & Oper. of Buildings and Sites	3,927,143	-	-	444,837	2,436,492	-	6,808,472
Regular Pupil Transportation	152,390	-	-	-	-	-	152,390
Special Education Transportation	42,821	-	-	-	-	-	42,821
Below Age Five SPED Transportation	6,194	-	-	-	-	-	6,194
State Categorical Programs	26,280	-	-	-	-	-	26,280
Federal Programs	2,429,110	-	-	-	-	11,680	2,440,790
Debt Services	-	-	1,943,184	-	646,314	100,322	2,689,820
Summer School	240,728	-	-	-	-	-	240,728
Total Expenditures	<u>\$ 38,479,489</u>	<u>\$ 333,059</u>	<u>\$ 1,943,184</u>	<u>\$ 444,837</u>	<u>\$ 3,082,806</u>	<u>\$ 2,882,511</u>	<u>\$ 47,165,886</u>
Excess Receipts/(Expenditures) Before Other Financing Sources/(Uses)	\$ 3,739,560	\$ (319,271)	\$ 222,013	\$ (189,019)	\$ (2,048,815)	\$ (167,815)	\$ 1,236,653
Other Financing Sources/(Uses)							
Bond Proceeds	\$ -	\$ -	\$ -	\$ -	\$ 4,455,000	\$ 100,000	\$ 4,555,000
Transfers In/(Out)	(2,567,956)	2,567,956	-	-	-	-	-
Total Other Financing Sources/(Uses)	<u>\$ (2,567,956)</u>	<u>\$ 2,567,956</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,455,000</u>	<u>\$ 100,000</u>	<u>\$ 4,555,000</u>
Net Change in Fund Balance	\$ 1,171,604	\$ 2,248,685	\$ 222,013	\$ (189,019)	\$ 2,406,185	\$ (67,815)	\$ 5,791,653
Fund Balance - Beginning of Year	<u>19,183,257</u>	<u>4,020,349</u>	<u>3,081,549</u>	<u>4,118,564</u>	<u>2,455,163</u>	<u>961,750</u>	<u>33,820,632</u>
Fund Balance - End of Year	<u>\$ 20,354,861</u>	<u>\$ 6,269,034</u>	<u>\$ 3,303,562</u>	<u>\$ 3,929,545</u>	<u>\$ 4,861,348</u>	<u>\$ 893,935</u>	<u>\$ 39,612,285</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL
PART OF THE FINANCIAL STATEMENTS

MADISON COUNTY SCHOOL DISTRICT NO. 2
NORFOLK PUBLIC SCHOOLS

FIDUCIARY FUNDS STATEMENT OF NET POSITION
MODIFIED CASH BASIS

AUGUST 31, 2015

	<u>Activities Fund</u>	<u>Student Fee Fund</u>	<u>Agency Fund</u>	<u>Total Fiduciary Funds</u>
Assets				
Cash in Bank	<u>\$ 1,070,313</u>	<u>\$ 191,219</u>	<u>\$ 110,707</u>	<u>\$ 1,372,239</u>
Net Position	<u>\$ 1,070,313</u>	<u>\$ 191,219</u>	<u>\$ 110,707</u>	<u>\$ 1,372,239</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL
PART OF THE FINANCIAL STATEMENTS

MADISON COUNTY SCHOOL DISTRICT NO.
NORFOLK PUBLIC SCHOOLS

FIDUCIARY FUNDS STATEMENT OF CHANGES IN
NET POSITION - MODIFIED CASH BASIS

FOR THE FISCAL YEAR ENDED AUGUST 31, 2015

	<u>Activities Fund</u>	<u>Student Fee Fund</u>	<u>Total Fiduciary Funds*</u>
Receipts			
Activities Receipts	\$ 2,066,640	\$ -	\$ 2,066,640
Extracurricular Activity Fees	-	170,170	170,170
Summer or Night School Fees	-	7,260	7,260
	<u> </u>	<u> </u>	<u> </u>
Total Receipts	<u>\$ 2,066,640</u>	<u>\$ 177,430</u>	<u>\$ 2,244,070</u>
Expenditures			
Purchased Services	\$ -	\$ 9,112	\$ 9,112
Supplies and Materials	1,830,805	140,348	1,971,153
	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	<u>\$ 1,830,805</u>	<u>\$ 149,460</u>	<u>\$ 1,980,265</u>
Net Change in Net Position	\$ 235,835	\$ 27,970	\$ 263,805
Net Position - Beginning of Year	<u>834,478</u>	<u>163,249</u>	<u>997,727</u>
Net Position - End of Year	<u><u>\$ 1,070,313</u></u>	<u><u>\$ 191,219</u></u>	<u><u>\$ 1,261,532</u></u>

*Agency Fund receipts and expenditures are not included in the Fiduciary Funds Statement of Changes in Net Position - Modified Cash Basis. See Note 1 to the financial statements.

THE ACCOMPANYING NOTES ARE AN INTEGRAL
PART OF THE FINANCIAL STATEMENTS

MADISON COUNTY SCHOOL DISTRICT NO. 2
NORFOLK PUBLIC SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – Madison County School District No. 2, Norfolk Public Schools (the District) was founded in 1889 and is a tax-exempt political subdivision and a class III school district of the State of Nebraska.

Overview – The significant accounting principles and practices followed by the District are presented below to assist the reader in evaluating the financial statements and the accompanying notes. The financial statements presented represent all funds maintained by school authorities incident to school building construction and the operation, maintenance, and management of school services, activities, projects, and investments.

The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The most significant of the School District's accounting policies are described below.

Reporting Entity – Generally accepted accounting principles require government financial statements to include the primary government and its component units. Component units of a governmental entity are legally separate entities for which the primary government is considered to be financial accountable and for which the nature and significance of their relationship with the primary government are such that exclusion would cause the combined financial statements to be misleading. The primary government is considered to be financially accountable if it appoints a majority of an organization's governing body and is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government.

These financial statements include only the primary government of the District. The District has the following related organizations that are not considered to have a significant operational or financial relationship:

The Norfolk Public Schools Foundation receives donations to be used for student scholarships and various school projects.

The Norfolk Panther Boosters raise money to be used to support the athletic programs of the District.

There are other organizations operating to raise money to support the District in a variety of ways, including the NSHS Drama Boosters and various parent teacher organizations.

Measurement Focus and Basis of Accounting – Measurement focus is a term used to describe "which" transactions are recorded within the financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

MADISON COUNTY SCHOOL DISTRICT NO. 2
NORFOLK PUBLIC SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AUGUST 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting (Continued)

The government-wide financial statements, the fund financial statements, and the fiduciary fund financial statements are reported using the modified cash basis measurement focus. Their reported net position/fund balance is considered a measure of “available cash and investments.” The operating statements focus on cash received and disbursed.

The District prepares its financial statements on the modified cash basis of accounting, which is in conformity with the accounting practices prescribed or permitted by the Nebraska Department of Education. Consequently, these statements represent a summary of the cash activity of the various funds of the District and do not include certain transactions that would be included if the District prepared its financial statements in accordance with generally accepted accounting principles, as applicable to governmental units. Under the modified cash basis, receipts are recognized when collected rather than when earned, and expenditures are recognized when paid rather than when incurred. Taxes levied by the District, and other taxes/fees allocable to the District, are paid to the county treasurers of Madison, Wayne, Pierce, and Stanton counties. Per State Statute these monies are treated as receipts of the District upon receipt by the various counties. The funds held at the aforementioned county treasurers are included in the cash balances of the corresponding funds for which the taxes and fees were levied. Consequently, these financial statements are not intended to present financial position or results of operations in conformity with accounting principles generally accepted in the United States of America, as applicable to governmental units.

Basis of Presentation, Fund Accounting – The District’s basic financial statements consist of Government-Wide Statements and Fund Financial Statements.

Government-Wide Statements – The Statement of Net Position – Modified Cash Basis and the Statement of Activities – Modified Cash Basis display all information about the District as a whole. They include all funds of the District except for fiduciary funds. The statements present the District’s financial statements as governmental activities. Governmental activities generally are financed through taxes, intergovernmental receipts, and other non-exchange receipts. Alternatively, business-type activities are financed, in whole or in part, by fees charged to external parties for goods or services. The District does not operate any business-type activities.

The Statement of Activities – Modified Cash Basis presents a comparison between direct expenditures and program receipts for each function of the District’s governmental activities. Direct expenditures are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program receipts include (a) fees and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. All receipts that are not classified as program receipts, including all taxes, are presented as general receipts.

MADISON COUNTY SCHOOL DISTRICT NO. 2
NORFOLK PUBLIC SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AUGUST 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation, Fund Accounting (Continued)

The comparison of direct expenditures with program receipts identifies the extent to which each governmental function is self-financing or draws from the general receipts of the District. Because interfund transfers are eliminated within the Statement of Activities – Modified Cash Basis, total receipts and expenditures will not agree to the fund financial statements.

Fund Financial Statements – The fund financial statements of the District are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its cash, certificates of deposit, cash held by the county treasurers, investments, fund balance, receipts, and expenditures. Funds of the District are organized into two major categories: governmental and fiduciary. The District currently has no proprietary funds. An emphasis is placed on major funds within the governmental and fiduciary categories. A fund is considered major if it is the primary operating fund of the District, meets specific mathematical criteria set forth by GASB or is identified as a major fund by the District's management. All funds not shown as major are consolidated under the column title "Other Governmental Funds."

Governmental Funds

Major Funds:

General Fund – The General Fund finances all facets of services rendered by the District. General Fund receipts are classified according to source while its expenditures are classified according to specific functions. General Fund expenditures are limited by state statutes and the Fund's ability to levy taxes to fund operations is also limited by state statute.

Depreciation Fund – A Depreciation Fund may be established by the District to facilitate the eventual purchase of costly capital outlays by reserving such monies from the General Fund. To allocate monies from the General Fund, the District will show the movement of monies as an expenditure from the General Fund and the Depreciation Fund will show the receipt as a transfer from the General Fund. The District may divide this fund into more than one account to allocate a portion of this fund for different valid purposes. The purpose of the Depreciation Fund is to spread replacement costs over a period of years in order to avoid a disproportionate tax effort in a single year to meet such expenditures. This fund is restricted by state statutes as part of the Allowable Reserve limitation.

Bond Fund – A Bond Fund shall be used to record tax receipts, investment income, and the payment of bond principal, interest, and other related expenditures. If the fund balance is not sufficient to meet interest or bond retirement payments from the Bond Fund, the General Fund shall be used for these payments. Receipts from a levy to retire bonds in the District are retained in a separate fund by the county treasurer, the financing institution serving as the fiscal agent, or the District itself. Funds shall be expended upon appropriate demand.

MADISON COUNTY SCHOOL DISTRICT NO. 2
NORFOLK PUBLIC SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AUGUST 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Funds (Continued)

Bond Fund (Continued) – Proceeds from a bond issue shall be deposited into the Special Building Fund to be expended for the actual building project. The tax levy for this fund is restricted for expenditures other than principal and interest on bonds.

Special Building Fund – A Special Building Fund is established to acquire or improve sites and/or to erect, alter, or improve buildings or other real property. The sale of bonds, the sale of property, or tax receipts will be the primary sources of receipts for the Special Building Fund. Regardless of the source of the money to be used for building construction and related costs, all income for the purposes of this fund shall be accountable through this fund. General Fund expenditures for the purpose of this fund are not allowable. Special Building Fund accounting provides a more effective means of identifying those expenditures associated with construction activities and provides a complete and consolidated record of all costs of the building program at the conclusion of a project(s). If more than one Special Building Fund project is active at the same time, separate accounts for each project may be established within the single Special Building Fund. The tax levy for this fund is restricted by state statute.

Qualified Capital Purpose Undertaking Fund – A Qualified Capital Purpose Undertaking Fund (QCPUF) may be established for the removal of environmental hazards, reduction or elimination of accessibility barriers in school district buildings, repayment of a qualified zone academy bond issued for a qualified capital purpose, modifications for life safety code violations, indoor air quality projects, and mold abatement and prevention projects. General Fund expenditures for the purpose of this fund are not allowable. The tax levy and duration of this fund is restricted.

Nonmajor Funds:

Employee Benefit Fund – An Employee Benefit Fund may be established in order to specifically reserve General Fund money for the benefit of the District's employees (unemployment compensation, early retirement, health insurance deductibles, etc.). To allocate the monies from the General Fund, the District will show the movement of monies as an expenditure from the General Fund, and the Employee Benefit Fund will show the receipts as a transfer from the General Fund.

Lunch Fund – The Lunch Fund is required to accommodate the financial activities of all Nutrition Programs operated by the District. The Lunch Fund shall reflect a record of all receipts and expenditures incident to the operation of all Nutrition Programs. If a deficit is incurred in the operations, the deficiency shall be covered by funds transferred from the General Fund.

Cooperative Fund – The Cooperative Fund may be used by the District acting as the fiscal agent for any cooperative activity between two or more school districts or political subdivisions.

MADISON COUNTY SCHOOL DISTRICT NO. 2
NORFOLK PUBLIC SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AUGUST 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary Funds

Activities Fund – The Activities Fund is required to account for the financial operations of quasi-independent student organizations, interschool athletics, and other self-supporting or partially self-supporting school activities. The inclusion of such accounts in the General Fund would distort the financial position of the basic school operation and would complicate the computation of the net expenditure incurred in conducting school services. The Activities Fund shall not be used to record general operation receipts and expenditures, nor shall this fund be used as a clearinghouse of the General Fund. The District may divide this fund into more than one account to allocate portions of this fund for different purposes. The financial operations of all school-connected activities are a legal responsibility of the District's board of education. If deficits in such activities are incurred, they shall be covered by funds transferred from the General Fund. Such transfers shall finance only those projects that qualify for approval under policies established by the District board of education for such activities.

Student Fee Fund – The Student Fee Fund is a separate District fund not funded by tax receipts into which all money collected from students pursuant to the Public Elementary and Secondary Fee Authorization Act must be deposited. Included are fees for Extracurricular Activities, Postsecondary Education, and Summer or Night School. Expenditures from this fund must be for the purpose for which the fees were collected.

Agency Fund – The District holds resources for the employees' Internal Revenue Code Section 125 flexible benefits plan in a custodial capacity. As such, receipts and expenditures of funds are not required to be disclosed in the Fiduciary Funds Statement of Changes in Net Position – Modified Cash Basis.

Equity Classification

Government-Wide Statements – Equity is classified as net position and displayed in two components: restricted and unrestricted. Restricted net position has constraints placed on the use either by external groups, such as creditors, grantors, contributors, laws and regulations of other governments, or law through constitutional provisions or enabling legislation. Unrestricted net position does not meet the definition of "restricted".

Governmental Fund Financial Statements – The District has adopted GASB No. 54, which redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

Nonspendable – This consists of net position that cannot be spent because it is either not in spendable form, or is legally or contractually required to be maintained intact.

Restricted – This consists of net position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislation.

MADISON COUNTY SCHOOL DISTRICT NO. 2
NORFOLK PUBLIC SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AUGUST 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity Classification (Continued)

Governmental Fund Financial Statements (Continued)

Committed – This consists of net position that can be used for specific purposes pursuant to constraints imposed by formal action of the Board of Education. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned – This consists of net position that is constrained by the District's intent to be used for a specific purpose but is neither restricted nor committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education or a District official delegated that authority by formal board approval.

Unassigned – This consists of net position that has not been restricted, committed or assigned to a specific purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Education has provided otherwise in its commitment or assignment actions.

Investments – Investments are carried at cost, which approximates fair value. Additional cash and investment disclosures are presented in Note 2.

Capital Assets – Expenditures for property and equipment are charged to expenditures when paid. Capital assets are not reported in the government-wide or fund financial statements. No allowance for depreciation is provided or included in the accompanying financial statements.

Encumbrance Accounting - The School District does not utilize encumbrance accounting.

Inter-fund Transactions – In the process of aggregating the financial information for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated.

The General Fund transferred \$2,567,956 to the Depreciation Fund for the purpose of future capital outlays.

Long-Term Debt – Long-term debt arising from cash transactions is not reported as a liability in the government-wide or fund financial statements. The debt proceeds are, instead, reported as other financing sources and the payment of principal and interest is reported as cash expenditures.

MADISON COUNTY SCHOOL DISTRICT NO. 2
NORFOLK PUBLIC SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AUGUST 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events – Subsequent events have been evaluated through October 12, 2015, which is the date the accompanying financial statements are available to be issued.

NOTE 2 - DEPOSITS AND INVESTMENTS

Nebraska Statute Section 79-1043 provides that the District may, by and with the consent of the Board of Education of the District, invest the funds of the District in securities, including repurchase agreements, the nature of which individuals of prudence, discretion, and intelligence acquire or retain in dealing with the property of another.

Deposits – Custodial credit risk is the risk, that in the event of bank failure, the District's deposits may not be returned. The District does not have an investment policy addressing custodial credit risk other than requirements set forth in state statute as specified below. As of August 31, 2015, monies were exposed to custodial credit risk as follows:

Insured	\$ 8,055,242
Collateral held by pledging bank's trust department not in the School District's name	8,994,686
Uninsured and Uncollateralized	<u>-0-</u>
Total deposits	<u>\$ 17,049,928</u>

State law requires that all bank balances be insured or collateralized by U.S. Government securities held by the District's third-party agent or the pledging financial institution's trust department in the name of the District. No attorney's opinion has been obtained regarding the enforceability of claims which might arise under the custodial arrangements.

Nebraska Statute 77, Article 23 covers the deposit and investment of public funds. The District may invest surplus funds in the following:

- U.S. Government Securities;
- Bonds and debentures issued by the Federal Land Bank, Intermediate Credit banks, Cooperative banks under the supervision of the Farm Credit Administration, and loan participation guaranteed by the Commodity Credit Corp;
- U.S. Treasury notes, bills, or certificates maturing within two years;
- Certificates of deposits; and
- In any securities in which the state investment officer is authorized to invest.

No deposits in excess of the amount insured by the Federal Deposit Insurance Corporation shall be allowed to accumulate in any financial institution unless:

- the financial institution gives a surety bond;
- the financial institution provides the District with securities as collateral on the excess funds; or
- the financial institution issues a joint custody receipt to the benefit of the District where a third party financial institution actually holds the security.

MADISON COUNTY SCHOOL DISTRICT NO. 2
NORFOLK PUBLIC SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AUGUST 31, 2015

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments – For reporting purposes, the District’s investments, which are carried at cost, consisted of the following at August 31, 2015:

Nebraska Liquid Asset Fund:	
General Fund	\$ 9,605,979
Depreciation Fund	2,533,428
Bond Fund	721,938
Qualified Capital Purpose Undertaking Fund	4,032,158
Special Building Fund	<u>1,920,829</u>
Total Investments	<u>\$ 18,814,332</u>

The Nebraska Liquid Asset Fund (NLAF) is similar in nature to an open-end mutual fund which is designed specifically for Nebraska school entities, investing only in those securities allowable for such entities under Nebraska law. As of August 31, 2015, all of the investments in the NLAF were in money market funds and short-term certificates of deposit.

NOTE 3 - PENSION PLAN

Plan Description – The District contributes to the Nebraska School Employees Retirement System, a cost-sharing multiple-employer defined benefit pension plan administered by the Nebraska Public Employees Retirement System (NPERS). NPERS provides retirement and disability benefits to plan members and beneficiaries. The School Employees Retirement Act establishes benefit provisions.

In 1945, the Nebraska Legislature enacted the law establishing a retirement plan for school employees of the State. The pension plan that was established for school districts has a fiscal year ending June 30. During the NPERS fiscal year ended June 30, 2014, there were 270 participating school districts. These were the districts that had contributions during the fiscal year. All regular public school employees in Nebraska, other than those who have their own retirement plans (Class V school districts, Nebraska State Colleges, University of Nebraska, Community Colleges), are members of the plan.

Normal retirement is at age 65. The monthly benefit is equal to the greater of the following: 1) the sum of a savings annuity, which is the actuarial equivalent of the member’s accumulated contributions and a service annuity equal to \$3.50 per year of service; or 2) the average of the three 12-month periods of service as a school employee in which such compensation was the greatest, multiplied by total years of creditable service, multiplied by a formula factor of two percent, and an actuarial factor based on age.

For an employee who became a member on or after July 1, 2013, the monthly benefit is equal to the greater of the following: 1) the sum of a savings annuity, which is the actuarial equivalent of the member’s accumulated contributions and a service annuity equal to \$3.50 per year of service; or 2) the average of the five 12-month periods of service as a school employee in which such compensation was the greatest, multiplied by total years of creditable service, multiplied by a formula factor of two percent, and an actuarial factor based on age.

MADISON COUNTY SCHOOL DISTRICT NO. 2
NORFOLK PUBLIC SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AUGUST 31, 2015

NOTE 3 - PENSION PLAN (CONTINUED)

Plan Description (Continued)

Benefit calculations vary with early retirement. Employees' benefits are vested after five years of plan participation or when termination occurs at age 65 or later.

For school employees who became members prior to July 1, 2013, the benefit paid to a retired member or beneficiary receives an annual cost of living adjustment, which is increased by the lesser of the percentage change in the Consumer Price Index for Urban Wage Earners and Clerical Workers or two and one-half percent. The current benefit paid to a retired member or beneficiary is adjusted so that the purchasing power of the benefit being paid is not less than 75 percent of the purchasing power of the initial benefit.

For school employees who became members on or after July 1, 2013, the benefit paid to a retired member or beneficiary receives an annual cost-of-living adjustment, which is increased by the lesser of the percentage change in the Consumer Price Index for Urban Wage Earners and Clerical Workers or one percent.

For the District's year ended August 31, 2015, the District's total payroll for all employees was \$30,096,109. Total covered payroll was \$27,035,687. Covered payroll refers to all compensation paid by the District to active employees covered by the Plan.

Basis of Presentation – Due to the fact that the pension plan for school districts has a June 30 fiscal year end, the audited financial statements for the pension plan are generally not publically available until after November 5th, which is the date Nebraska school districts are required to submit their audited financial statements to the Nebraska Department of Education and the Nebraska Auditor of Public Accounts. Due to this fact, the District is not able to include the most up-to-date information in its financial statements. To comply with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, the District is using information released by NPERs for the pension plan fiscal year ended June 30, 2014.

Contributions – The State's contribution is based on an annual actuarial valuation. In addition, the State contributes an amount equal to two percent of the compensation of all members. This contribution is considered a nonemployer contribution since school employees are not employees of the State. The employee contribution was equal to 9.78 percent from July 1, 2013, to June 30, 2014, (and from July 1, 2014, through August 31, 2015). The District's contribution is 101 percent of the employee contribution. The District's contribution to the Plan for its fiscal year ended August 31, 2015 was \$2,670,531.

Pension Liabilities – At June 30, 2014 the District had a liability of \$12,592,831 for its proportionate share of the net pension liability. (This liability and any current year pension expense/(income) are not recorded in the accompanying modified cash basis financial statements.) The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined using an actuarial valuation as of that date.

MADISON COUNTY SCHOOL DISTRICT NO. 2
NORFOLK PUBLIC SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AUGUST 31, 2015

NOTE 3 - PENSION PLAN (CONTINUED)

Pension Liabilities (Continued)

The NPERS School Plan was 90.65% funded as of June 30, 2014 based on actuarial calculations comparing total pension liability to the plan fiduciary net position. 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 entities, actuarially determined. At June 30, 2014, the District's proportion was 1.295223 percent. Due to the fact that GASB 68 became effective in the current fiscal year, the District's proportion as of June 30, 2013 is not determinable and the change from 2013 to 2014 cannot be calculated.

For the fiscal year ended June 30, 2014, the District's allocated pension expense/(income) was \$(306,953).

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

Price Inflation	3.25 percent
Wage Inflation	4.00 percent
Salary increases, including wage inflation	4.00 – 9.00 percent
Cost-of-Living Adjustment	Members hired before July 1, 2013: 2.50% with a floor benefit equal to 75% purchasing power of original benefit. Members hired on/after July 1, 2013: 1.00%*
Long-term Rate of Return, net of investment expense, including price inflation	8.00 percent
Municipal Bond Index Rate	4.35 percent
Year FNP is projected to be Depleted	N/A
Single Equivalent Int. Rate, net of investment expense, including price inflation	8.00 percent

*1% and no floor benefit for members joining on or after July 1, 2013.

The School Plan's pre-retirement mortality rates were based on the 1994 Group Annuity Mortality Table, projected to 2015 using scale AA, set back one year (sex distinct with 55 percent of male rates for males and 40 percent of female rates for females).

The School Plan's post-retirement rates were based on the 1994 Group Annuity Mortality Table, projected to 2015 using Scale AA, set-back one year (sex distinct).

The School Plan's disability mortality rates were based on the 1983 Railroad Retirement Board Disabled Annuitants Mortality (unisex).

MADISON COUNTY SCHOOL DISTRICT NO. 2
NORFOLK PUBLIC SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AUGUST 31, 2015

NOTE 3 - PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the July 1, 2014, valuations for the School plan is based on the results of the most recent actuarial experience study, which covered the five year period ending June 30, 2011. The experience study report is dated August 20, 2012.

The long-term expected real rate of return on pension plan investments was based upon the expected long-term investment returns provided by a consultant of the Nebraska Investment Council, who is responsible for investing the pension plan assets. The return assumptions were developed using a building-block method 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. Best estimates of geometric real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2014, (see the discussion (of the pension plan's investment policy) are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Large Cap US Equity	26.10%	4.40%
Small Cap US Equity	2.90%	4.90%
Global Equity	15.00%	5.00%
International Developed Equity	11.14%	5.00%
Emerging Markets Equity	2.36%	6.20%
Fixed Income	25.00%	1.70%
Bank Loans	5.00%	2.00%
Real Estate	7.50%	4.70%
Private Equity	5.00%	6.50%
Total	100.00%	

*Geometric mean, net of investment expenses.

Discount Rate – The discount rate used to measure the Total Pension Liability at both June 30, 2013, and June 30, 2014, was 8 percent. The discount rate is reviewed as part of the actuarial experience study, which was last performed for the period July 1, 2006, through June 30, 2011. The actuarial experience study is reviewed by the NPERS Board, which must vote to change the discount rate.

MADISON COUNTY SCHOOL DISTRICT NO. 2
NORFOLK PUBLIC SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AUGUST 31, 2015

NOTE 3 - PENSION PLAN (CONTINUED)

Discount Rate (Continued)

The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and contributions from employers and nonemployers will be made at the contractually required rates, actuarially determined. Based on those assumptions, the pension plans' 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 payment to determine the total pension liability. The projected future benefit payments for all current plan members were projected through 2113.

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 8.0 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 (7.0 percent) or 1-percentage-point higher (9.0 percent) than the current rate:

	Discount Rate	District's Proportionate Share of Net Pension Liability/(Asset)
1% Decrease	7.0%	30,032,020
Current Discount Rate	8.0%	12,592,831
1% Increase	9.0%	(1,900,681)

Plan Fiduciary Net Position – Detailed information about the Plan's fiduciary net position is available in the separately issued Nebraska Public Employees Retirement Systems Plan financial report. NPERS issues a publicly available financial report that includes financial statements and required supplementary information for NPERS. That report may be obtained by:

1. Writing the NPERS, P.O. Box 94816, Lincoln, NE 68509-4816,
2. by calling 1-800-245-5712, or
3. via the internet at http://www.auditors.nebraska.gov/APA_Reports/2015/SA185-03112015-July_1_2013_through_June_30_2014_Audit_Report.pdf

MADISON COUNTY SCHOOL DISTRICT NO. 2
NORFOLK PUBLIC SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AUGUST 31, 2015

NOTE 4 - LONG-TERM DEBT

Governmental activities long-term debt at August 31, 2015 consisted of the following:

Series 2005 bonds payable in the original amount of \$20,240,000 dated May 25, 2005. Interest rates range from 2.75% to 5.0%. The final payment was made on December 15, 2014.	\$ -0-
Series 2012 limited tax obligation bonds payable in the original amount of \$5,425,000 dated September 19, 2012. Interest rates range from 0.55% to 2.20%. See the following schedule for principal and interest due. Final payment is due December 15, 2022.	4,395,000
Series 2013 bonds payable in the original amount of \$9,895,000 dated September 30, 2013. Interest rates range from 0.35% to 2.95%. See the following schedule for principal and interest due. Final payment is due December 15, 2022.	9,480,000
Series 2014 bonds payable in the original amount of \$3,995,000 dated January 15, 2014. Interest rates range from 0.30% to 0.90%. See the following schedule for principal and interest due. Final payment is due December 15, 2017.	3,860,000
Series 2014 limited tax obligation bonds payable in the original amount of \$4,455,000 dated October 8, 2014. Interest rates range from 0.45% to 2.60%. See the following schedule for principal and interest due. Final payment is due December 15, 2024.	<u>4,455,000</u>
Total Long-Term Debt Outstanding	<u>\$ 22,190,000</u>

The following is a summary of long-term debt transactions of the District for the fiscal year ended August 31, 2015.

	<u>Beginning of Year</u>	<u>Issued</u>	<u>Retired</u>	<u>End of Year</u>	<u>Due Within One Year</u>
2005 Series	\$17,615,000	\$ -0-	\$17,615,000	\$ -0-	\$ -0-
2012 Series	4,920,000	0-	525,000	4,395,000	530,000
2013 Series	9,895,000	-0-	415,000	9,480,000	420,000
2014 Series	3,995,000	-0-	135,000	3,860,000	1,280,000
2014 Series	<u>-0-</u>	<u>4,455,000</u>	<u>-0-</u>	<u>4,455,000</u>	<u>295,000</u>
Total	<u>\$36,425,000</u>	<u>\$ 4,455,000</u>	<u>\$18,690,000</u>	<u>\$22,190,000</u>	<u>\$ 2,525,000</u>

MADISON COUNTY SCHOOL DISTRICT NO. 2
NORFOLK PUBLIC SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AUGUST 31, 2015

NOTE 4 - LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize all long-term debt outstanding at August 31, 2015, including interest payments, are as follows:

<u>Year Ending</u> <u>August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 2,525,000	\$ 369,202	\$ 2,894,202
2017	2,550,000	353,457	2,903,457
2018	2,570,000	331,752	2,901,752
2019	2,635,000	298,054	2,933,054
2020	2,675,000	251,638	2,926,638
2021 – 2025	<u>9,235,000</u>	<u>446,391</u>	<u>9,681,391</u>
	<u>\$ 22,190,000</u>	<u>\$ 2,050,494</u>	<u>\$ 24,240,494</u>

There was a total of \$2,689,820 of debt service payments recorded on the Statement of Activities – Modified Cash Basis that consists of \$373,690 of bond interest, \$2,314,777 of bond principal, and \$1,353 in other expenditures for the fiscal year ended August 31, 2015. All general obligation debt of the District is liquidated through the Bond Fund and all limited tax obligation debt is liquidated by the Qualified Capital Purpose Undertaking Fund.

During the fiscal year ended August 31, 2014, the District defeased substantially all of the outstanding Series 2005 bonds by issuing the Series 2014 and Series 2013 general obligation refunding bonds. The proceeds from these bonds, along with existing Bond Fund assets, were transferred from the District's accounts into two irrevocable trust accounts held by the Bank of Oklahoma. On December 15, 2014, these two trust accounts were liquidated and the funds from these accounts, along with existing Bond Fund assets paid the remaining \$17,615,000 of outstanding bonds on the Series 2005 issue. In addition to paying the outstanding principal of \$17,615,000, interest payments of \$792,810 were made on December 15, 2014. Payments made from existing Bond Fund assets have been recorded as principal and interest payments in this current fiscal year. The portion of the payments on the Series 2005 bonds made from the trust accounts have not been included in the financial statements of the District for this fiscal year.

NOTE 5 - SHORT-TERM COOPERATIVE TECHNOLOGY BONDS

The District participated in a technology interlocal cooperation agreement with other school districts. The interlocal cooperative has issued bonds for the financing of information technology. The District's share of the 2015 bond issuance was in the principal amount of \$100,000 with a 0.25% interest rate. The bonds were issued on February 15, 2015 and matured on August 15, 2015. Due to the limited available coding on the Nebraska Department of Education's Annual Financial Report (AFR) for the Cooperative Fund, the bond proceeds are recorded as non-revenue receipts and the debt service consisting of \$100,000 of principal, \$3,500 of bond issue costs, and \$322 of interest and agent fees are recorded under business: general administration.

MADISON COUNTY SCHOOL DISTRICT NO. 2
NORFOLK PUBLIC SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AUGUST 31, 2015

NOTE 6 - COMMITMENTS

Compensated Absences – As a result of the District's use of the modified cash basis of accounting, accrued liabilities related to compensated absences and any employer-related costs earned and unpaid, are not reflected in the government-wide or fund financial statements. Certified staff members are allowed to accumulate up to 80 days of paid sick leave. No payment is made to staff members for unused sick leave upon resignation, retirement, or termination. The amount expected to be paid from current resources is immaterial for compensated absences.

NOTE 7 - JOINT VENTURE

The District is the fiscal agent for a cooperative formed to provide deaf education to one of the four regional programs established in Nebraska. The region served by the cooperative includes the service areas of Educational Service Unit (ESU) #1, ESU #8, and West Point Beemer Public Schools. The activity for the cooperative is included in the District's Cooperative Fund.

NOTE 8 - CONTINGENCY

The District receives funds under various Federal and state grant programs and such assistance is to be expended in accordance with the provisions of various grants. Compliance with the grant agreements is subject to audit by various government agencies which may impose sanctions in the event of noncompliance. Management believes that they have complied with all aspects of various grant provisions and the results of adjustment, if any, relating to such audits would not have any material financial impact.

NOTE 9 - 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. During the year, the District carried commercial insurance for general liability, public official's liability, property coverage, workers' compensation coverage, commercial excess liability coverage, crime, and blanket bond coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The District participates in a workers' compensation risk pool. The District pays annual premiums based upon the actual salaries paid to employees, making the policy retrospectively rated. In turn, all workers' compensation claims are paid by the risk pool.

NOTE 10 - PROPERTY TAXES

Property taxes levied by the District attach as an enforceable lien on property within the School District as of January 1. Taxes are due as of that date. One-half of the taxes become delinquent on the following May 1, with the second one-half becoming delinquent on September 1.

MADISON COUNTY SCHOOL DISTRICT NO. 2
NORFOLK PUBLIC SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AUGUST 31, 2015

NOTE 11 - DEFINED CONTRIBUTION PLAN

The District sponsors a Section 403(b) tax-sheltered annuity plan for all of the District's employees. Employees are eligible to participate on their first day of employment with the District. Employee's basic salary deferral limit contribution is \$18,000 for 2015 and all contributions are immediately vested. The School District does not match any type of employees' contributions.

NOTE 12 - RELATED PARTY TRANSACTIONS

On August 27, 2015, the Board approved the hiring of the Norfolk Public Schools Foundation Executive Director as the District's Communications Director with salary and benefits to be provided by the District starting in the 2015-2016 fiscal year. The District will be reimbursed by the Foundation for any Foundation related work performed by the Executive Director while in her official capacity as the District's Communications Director.

NOTE 13 - IMPLEMENTATION OF A NEW ACCOUNTING STANDARD

During the fiscal year, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. This standard modifies the accounting and disclosure requirements for governmental entities that participate in state employee retirement systems, such as the Nebraska Public Employees Retirement System (NPERS). Under GASB Statement No. 68, the District is required to account for and disclose pertinent information regarding the District's share of NPERS net pension liability. The District is also required to disclose relevant information regarding the actuarial assumptions, discount rates, and other variables that NPERS uses to compute its net pension liability as well as other information used to calculate member benefits. Due to the fact that the District prepares its financial statements on the modified cash basis of accounting, the District is not required to record the District's share of NPERS net pension liability on the District's books. However, the District is required to disclose its portion of the net pension liability and other required disclosures under this standard. This information is included in the District's Note 3 – Pension Plan footnote.

MADISON COUNTY SCHOOL DISTRICT NO. 2
NORFOLK PUBLIC SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AUGUST 31, 2015

NOTE 14 - ACCOUNTS WITH COUNTY TREASURERS

Balances held by various County Treasurers on behalf of the School District at August 31, 2015 are as follows:

<u>County</u>	<u>General Fund</u>	<u>Bond Fund</u>	<u>Special Building Fund</u>	<u>Qualified Capital Purpose Undertaking Fund</u>	<u>Cooperative Fund</u>	<u>Total</u>
Madison	\$ 3,760,229	\$ 338,265	\$ 33,251	\$ 171,610	\$ 17,569	\$ 4,320,924
Pierce	82,750	3,833	790	3,914	405	91,692
Stanton	951,892	98,526	9,011	45,095	4,620	1,109,144
Wayne	253,795	26,462	2,435	11,993	1,248	295,933
Total	<u>\$ 5,048,666</u>	<u>\$ 467,086</u>	<u>\$ 45,487</u>	<u>\$ 232,612</u>	<u>\$ 23,842</u>	<u>\$ 5,817,693</u>

SUPPLEMENTARY INFORMATION

MADISON COUNTY SCHOOL DISTRICT NO. 2
NORFOLK PUBLIC SCHOOLS

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
MODIFIED CASH BASIS

FOR THE FISCAL YEAR ENDED AUGUST 31, 2015

UNAUDITED

	<u>Original/Final Budget</u>	<u>2015 Actual</u>
Cash Receipts		
Local Receipts		
Local Property Taxes	\$ 21,299,491	\$ 20,223,966
Carline Taxes	4,100	3,970
Public Power District Sales Tax	840,000	846,159
Motor Vehicle Taxes	1,816,000	2,177,046
Interest	61,000	58,222
Local License Fees	21,000	31,122
Community Service Activities	275,875	19,950
Rental of School Equipment and Facilities	6,528	5,788
Other Local Revenue	-	100
Total Local Receipts	<u>\$ 24,323,994</u>	<u>\$ 23,366,323</u>
Country Receipts:		
County Fines and Licenses	<u>\$ 364,000</u>	<u>\$ 444,619</u>
State Receipts		
State Aid	\$ 10,784,528	\$ 10,784,528
Special Education Programs (School Age)	2,878,200	2,707,753
Special Education Transportation (School Age)	38,000	40,666
Homestead Exemption	-	598,421
Property Tax Credit	-	715,196
Payments For High Ability Learners	28,292	29,108
Textbook Loan	-	124
Wards of the State/Court (Regular Education)	180,000	-
Pro-Rate Motor Vehicle	86,000	64,878
State Appointment	694,500	759,792
State Early Childhood	14,000	34,181
Other State Receipts	19,000	-
Total State Receipts	<u>\$ 14,722,520</u>	<u>\$ 15,734,647</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL
PART OF THE FINANCIAL STATEMENTS

MADISON COUNTY SCHOOL DISTRICT NO. 2
NORFOLK PUBLIC SCHOOLS

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
MODIFIED CASH BASIS

FOR THE FISCAL YEAR ENDED AUGUST 31, 2015

UNAUDITED

	Original/Final <u>Budget</u>	2015 <u>Actual</u>
Federal Receipts		
Title I, Part A, Improving the Academic Achievement	\$ 650,000	\$ 898,747
Title II, Teacher Quality Grants	143,000	142,261
IDEA Part B (611) Base Allocation	400,000	392,676
IDEA Part B (619) Base/IDEA Enrollment/Poverty	23,000	22,180
IDEA Enrollment/Poverty	418,938	631,409
IDEA Part B Proportionate Share	95,000	94,042
IDEA Special Projects	25,000	24,511
MEDICAID in Public Schools	61,000	61,448
Medicaid Administrative Activities	195,000	156,019
Johnson-O'Malley	3,000	-
Federal Vocational & Applied Technology Education	35,000	-
Indian Education	41,051	37,418
Title I, Part C Migrant Education	31,000	47,250
Title III, Limited English Proficient Grant	19,000	18,389
21st Century Community Learning	150,000	137,511
Total Federal Receipts	<u>\$ 2,289,989</u>	<u>\$ 2,663,861</u>
Non-Revenue Receipts		
Sale of Property	\$ -	\$ 9,599
Other Non-Revenue Receipts	100,000	-
Total Non-Revenue Receipts	<u>\$ 100,000</u>	<u>\$ 9,599</u>
Total Cash Receipts	<u>\$ 41,800,503</u>	<u>\$ 42,219,049</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL
PART OF THE FINANCIAL STATEMENTS

MADISON COUNTY SCHOOL DISTRICT NO. 2
NORFOLK PUBLIC SCHOOLS

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
MODIFIED CASH BASIS

FOR THE FISCAL YEAR ENDED AUGUST 31, 2015

UNAUDITED

	Original/Final <u>Budget</u>	2015 <u>Actual</u>
Cash Disbursements		
Regular Instruction Programs	\$ 15,522,230	\$ 15,944,032
Limited English Proficiency Programs	618,500	591,815
Poverty Programs	2,990,000	2,913,430
Early Childhood Educational Programs	77,000	74,131
Special Education Instructional Programs	7,143,959	5,618,198
Early Childhood Special Education Instructional Programs	184,000	150,575
Support Services		
Pupils	2,428,971	2,234,060
Pupils - Safety & Security	125,500	118,619
Staff	1,023,043	1,178,661
School Improvement	125,496	105,113
Implementation of Standards	138,000	103,883
Board of Education	103,588	70,034
Executive Administration Services	330,249	304,637
District Legal Services	-	24,801
Office of the Principal	2,144,761	2,401,516
Business - General Administration - Business Services	981,229	1,007,856
Business - Vehicle Acquisition & Maintenance	200,000	381,418
Maintenance & Operation of Building(s) & Site(s)	3,950,900	4,927,143
Regular Pupil Transportation	160,000	152,390
Special Education Pupil Transportation	65,702	42,821
Below Age Five Special Education Pupil Transportation	10,000	6,194
State Programs	30,225	26,280
Federal Programs	2,797,712	2,429,110
Summer School	230,000	240,728
Adult Education	12,312,780	-
Total Cash Disbursements	<u>\$ 53,693,845</u>	<u>\$ 41,047,445</u>
Fund Balance, August 31, 2014		\$ 19,183,257
Total Cash Receipts		<u>42,219,049</u>
Total Funds Available		\$ 61,402,306
Total Cash Disbursements		<u>41,047,445</u>
Fund Balance, August 31, 2015		<u>\$ 20,354,861</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL
PART OF THE FINANCIAL STATEMENTS

MADISON COUNTY SCHOOL DISTRICT NO. 2
NORFOLK PUBLIC SCHOOLS
BUDGETARY COMPARISON SCHEDULE - DEPRECIATION FUND
MODIFIED CASH BASIS

FOR THE FISCAL YEAR ENDED AUGUST 31, 2015

UNAUDITED

	<u>Original/Final Budget</u>	<u>2015 Actual</u>
Cash Receipts		
Interest	\$ 15,000	\$ 13,788
Transfers from General Fund	400,000	2,567,956
Total Cash Receipts	<u>\$ 415,000</u>	<u>\$ 2,581,744</u>
 Cash Disbursements		
Support Services Business:		
Capital Outlays	<u>\$ 4,622,723</u>	<u>\$ 333,059</u>
 Fund Balance, August 31, 2014		\$ 4,020,349
 Total Cash Receipts		<u>2,581,744</u>
 Total Funds Available		\$ 6,602,093
 Total Cash Disbursements		<u>333,059</u>
 Fund Balance, August 31, 2015		<u>\$ 6,269,034</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL
PART OF THE FINANCIAL STATEMENTS

MADISON COUNTY SCHOOL DISTRICT NO. 2
NORFOLK PUBLIC SCHOOLS

BUDGETARY COMPARISON SCHEDULE - EMPLOYEE BENEFIT FUND
MODIFIED CASH BASIS

FOR THE FISCAL YEAR ENDED AUGUST 31, 2015

	<u>UNAUDITED</u>	
	Original/Final <u>Budget</u>	2015 <u>Actual</u>
Cash Receipts		
Interest	\$ 100	\$ 86
Transfers from General Fund	130,000	-
Total Cash Receipts	<u>\$ 130,100</u>	<u>\$ 86</u>
Cash Disbursements		
Support Services Business:		
Employee Benefits	<u>\$ 161,575</u>	<u>\$ 7,464</u>
Fund Balance, August 31, 2014		\$ 31,175
Total Cash Receipts		<u>86</u>
Total Funds Available		\$ 31,261
Total Cash Disbursements		<u>7,464</u>
Fund Balance, August 31, 2015		<u>\$ 23,797</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL
PART OF THE FINANCIAL STATEMENTS

MADISON COUNTY SCHOOL DISTRICT NO. 2
NORFOLK PUBLIC SCHOOLS

BUDGETARY COMPARISON SCHEDULE - ACTIVITIES FUND
MODIFIED CASH BASIS

FOR THE FISCAL YEAR ENDED AUGUST 31, 2015

UNAUDITED

	Balance 08/31/2014	Receipts	Disbursements	Transfers in (out)	Balance 08/31/2015
Senior High					
Girls Cross Country Club	\$ (138)	\$ 138	\$ -	\$ -	\$ -
B/G Cross Country Club	2,847	8,209	6,215	-	4,841
Reunions	12,694	6,282	1,106	-	17,870
NECC CNA Program	10,281	7,098	3,623	-	13,756
NETA Grant	8	-	-	-	8
FFA	8,155	19,589	14,005	-	13,739
AP Accounting	1,752	3,833	2,700	-	2,885
Girls Golf Club	1,649	-	-	-	1,649
Girls Cross Country	-	850	850	-	-
Foundation Grants	1,951	450	2,926	-	(525)
Bruckner-Smart Moves	167	-	167	-	-
Vending-Staff	2,971	755	2,490	-	1,236
Exchange	(2,813)	162,510	158,230	-	1,467
Concessions	63,788	95,772	66,391	-	93,169
Discretionary Account	7,901	5,057	4,632	-	8,326
Student Funds	(60)	60	-	-	-
Vending-Student	2,166	4,755	1,816	-	5,105
Parking Tickets	9,801	5,495	8,241	-	7,055
Accounting	2,152	978	516	-	2,614
Participation Fees	110	-	110	-	-
Athletic Program	1,676	2,758	3,673	-	761
Band Instrument Rental	350	-	350	-	-
Orchestra Instrument Rental	25	-	25	-	-
Baseball Club	4,658	5,878	5,487	-	5,049
Boys' Basketball Club	23,693	35,266	30,435	-	28,524
Boys' Soccer Club	4,218	6,922	7,166	-	3,974
Boys' Tennis Club	1,503	1,536	2,049	-	990
Boys' Track Club	617	1,146	1,334	-	429
Yell Squad	2,974	14,186	13,896	-	3,264
Choraleers	288	931	991	-	228
Drama Club	5,013	4,359	6,221	-	3,151
One Act	397	600	997	-	-
Debate/Speech	-	5,838	5,838	-	-
Theatre	688	14,181	14,869	-	-
Panther Posse	95	2,026	2,046	-	75
Football Club	46,506	46,561	44,590	-	48,477
Future Activities/Donation	48,923	144,684	135,421	-	58,186
Baseball	-	3,767	3,767	-	-
Boys' Basketball	-	32,996	32,996	-	-
Boys' Golf	-	788	788	-	-
Boys' Soccer	-	4,219	4,219	-	-
Boys' Track	-	2,083	2,083	-	-
Cross Country	-	850	850	-	-
Football	-	21,097	21,097	-	-
Girls' Basketball	-	28,802	28,802	-	-
Girls' Golf	-	845	845	-	-
Girls' Soccer	-	3,789	3,789	-	-
Girls' Tennis	-	100	100	-	-
Girls' Track	-	2,168	2,168	-	-
Softball	-	5,199	5,199	-	-

THE ACCOMPANYING NOTES ARE AN INTEGRAL
PART OF THE FINANCIAL STATEMENTS

MADISON COUNTY SCHOOL DISTRICT NO. 2
NORFOLK PUBLIC SCHOOLS

BUDGETARY COMPARISON SCHEDULE - STUDENT FEE FUND
MODIFIED CASH BASIS

FOR THE FISCAL YEAR ENDED AUGUST 31, 2015

UNAUDITED

	Balance 8/31/2014	Receipts	Disbursements	Transfers In (Out)	Balance 8/31/2015
Instrument Rental & Repair Fees	\$ -	\$ 4,280	\$ 9,076	\$ 19,617	\$ 14,821
Instrument Rental Fee	17,497	2,479	359	(19,617)	-
FFFA Fee	(70)	70	-	-	-
Act Prep Book Fee	3,687	890	2,148	-	2,429
Boys' Tennis Fee	(16)	586	-	-	570
Cheerleading Uniform Fee	(1,986)	1,986	-	-	-
Choir Robe Cleaning Fee	436	1,140	1,789	-	(213)
Boys Soccer Socks Fee	(194)	596	385	-	17
Pink Panther Silver & Black Fee	(1,630)	648	5,530	-	(6,512)
Swimming Fee 9-12	(734)	1,967	1,219	-	14
FBLA	4	-	-	-	4
Pottery Project Fee	2,056	-	-	-	2,056
Junior Statesmen	(70)	70	-	-	-
Activity Cards 9-12	20,770	17,672	18,452	-	19,990
Power Mechanics	-	844	844	-	-
Woods Project Fee	4,575	7,461	12,319	-	(283)
Graduation Fees	50	151	-	-	201
Industrial Arts Lab-Safety Glasses	1,575	-	-	-	1,575
Chemistry Goggles Fee	1,643	524	1,152	-	1,015
21st Century Grant Fee	-	24,282	-	-	24,282
Business Services	(89)	6,738	6,090	-	559
Participation Fee	9,590	12,335	12,515	-	9,410
Technology Fee 7-12	42,899	50,996	29,217	-	64,678
21st Century Living Project Fee	600	597	643	-	554
7/8 Challenge Fee	16	-	-	-	16
Art 7 Fee	452	671	528	-	595
Industrial Tech 7 Fee	483	10	243	-	250
Wellness Workbook Fee 7-8	24	-	-	-	24
Life Management Fee	515	415	403	-	527
Band Polo Shirts	2,000	825	653	-	2,172
French Culture & Language Fee	18	160	73	-	105
Art 8 Fee	825	290	1,135	-	(20)
Spanish Culture & Language Fee	339	210	191	-	358
Industrial Tech 8 Fee	579	1,648	1,106	-	1,121
Band Shoes 7-8	980	1,519	1,319	-	1,180
Show Choir Shirt Fee	-	665	480	-	185
Activity Card Fee 7-8	18,035	10,496	18,286	-	10,245
Art Class Fee	2,051	1,251	2,856	-	446
All Athletic Team Shoes	(80)	80	-	-	-
Band Shoes 9-12	252	636	579	-	309
Band Show Shirt Fee	1,386	1,369	1,402	-	1,353
Band Uniform Cleaning Fee	2,453	1,125	977	-	2,601
Choraleer Performance Outfit	(504)	4,768	2,263	-	2,001
Flags/Color Guard	-	318	1,307	-	(989)
Activity Cards K-6	7,980	6,710	13,135	-	1,555
Summer School	24,561	7,479	220	-	31,820
Band Gloves	132	158	154	-	136
Girls Soccer Socks Fee	159	315	412	-	62
Totals	<u>\$ 163,249</u>	<u>\$ 177,430</u>	<u>\$ 149,460</u>	<u>\$ -</u>	<u>\$ 191,219</u>
Original/Final Budget		<u>\$ 265,200</u>	<u>\$ 400,069</u>		

THE ACCOMPANYING NOTES ARE AN INTEGRAL
PART OF THE FINANCIAL STATEMENTS

MADISON COUNTY SCHOOL DISTRICT NO. 2
NORFOLK PUBLIC SCHOOLS

BUDGETARY COMPARISON SCHEDULE - ACTIVITIES FUND
MODIFIED CASH BASIS

FOR THE FISCAL YEAR ENDED AUGUST 31, 2015

UNAUDITED

	<u>Balance</u> <u>08/31/2014</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Transfers</u> <u>in (out)</u>	<u>Balance</u> <u>08/31/2015</u>
Swimming	-	369	369	-	-
Volleyball	-	7,225	7,225	-	-
Wrestling	(1,093)	6,945	5,852	-	-
Girls' Basketball Club	5,916	13,257	14,830	-	4,343
Girls' N Club	141	-	-	-	141
Girls' Soccer Club	3,905	13,625	11,875	-	5,655
Girls' Tennis Club	2,986	5,021	4,065	-	3,942
Girls' Track Club	1,018	1,804	1,492	-	1,330
Golf Club	872	1,494	1,447	-	919
NFL-National Forensics League	10,979	15,039	16,767	-	9,251
Norfolk Track/Field Classic	23,475	12,214	10,864	-	24,825
Orchestra Club	1,315	-	845	-	470
Pink Panthers	11,747	35,388	38,283	-	8,852
Milestone	7,866	14,756	10,576	-	12,046
Softball Club	12,317	5,828	6,494	-	11,651
Stage Band	2,087	319	1,059	-	1,347
Swimming Club	8,055	3,657	1,862	-	9,850
Volleyball Club	10,621	25,670	24,328	-	11,963
Wrestling Club	6,116	30,904	31,439	-	5,581
Alternatives For Success	2,080	8,201	7,900	-	2,381
Autistic Program	3,522	-	76	-	3,446
DECA	1,939	3,294	3,704	-	1,529
FBLA	706	5,429	5,674	-	461
Mu Alpha Theta	314	78	-	-	392
Student Council	2,909	4,257	3,205	-	3,961
Skills USA	369	-	-	-	369
Junior Statesmen	1,626	-	50	-	1,576
Quiz Bowl	78	-	-	-	78
World Language Club	200	-	-	-	200
AP English/Research Comp	14,666	16,579	-	-	31,245
AP Exams	220	758	920	-	58
Activity Cards	690	370	1,060	-	-
Courtesy Fund	1,018	755	261	-	1,512
Fines	5,489	3,756	258	-	8,987
Athletic Fines	3,076	1,532	-	-	4,608
Jeans Day-Scholarships	35	-	35	-	-
Prom	5,424	9,085	10,687	-	3,822
AP Chemistry	728	-	728	-	-
Personal Hygiene Machine	16	23	39	-	-
Metals	466	1,324	-	-	1,790
AP Math	16,181	14,531	4,357	-	26,355
AP Psychology	15,779	8,786	407	-	24,158
Post Prom	1,341	46,020	47,361	-	-
Power Mechanics	(6)	151	124	-	21
Retirement	623	605	559	-	669
Scholarships	500	7,855	7,565	-	790
Woods	(1,650)	4,243	10	-	2,583
Book Club	3,632	1,634	1,741	-	3,525
Creative Design	205	-	-	-	205
General Athletics	24,033	4,747	799	-	27,981
Miscellaneous	3,004	5,427	7,596	-	835

THE ACCOMPANYING NOTES ARE AN INTEGRAL
PART OF THE FINANCIAL STATEMENTS

MADISON COUNTY SCHOOL DISTRICT NO. 2
NORFOLK PUBLIC SCHOOLS

BUDGETARY COMPARISON SCHEDULE - ACTIVITIES FUND
MODIFIED CASH BASIS

FOR THE FISCAL YEAR ENDED AUGUST 31, 2015

UNAUDITED

	<u>Balance</u> 08/31/2014	<u>Receipts</u>	<u>Disbursements</u>	<u>Transfers</u> in (out)	<u>Balance</u> 08/31/2015
Fine Arts	57	-	-	-	57
National Honor Society	-	1,464	1,391	-	73
Bully No More	-	122	122	-	-
Poetry Club	-	1,352	152	-	1,200
College Access Grant	-	11,000	10,016	-	984
Adult Transition	392	144	94	-	442
Graduation Fees	70	199	8	-	261
Ecybermission	-	25	-	-	25
Subtotal - Senior High	<u>\$ 485,061</u>	<u>\$ 1,072,667</u>	<u>\$ 962,680</u>	<u>\$ -</u>	<u>\$ 595,048</u>
Junior High					
Life	\$ (3)	\$ 3	\$ -	\$ -	\$ -
Best Committee	1,063	212	-	-	1,275
Drama	1,030	1,029	982	-	1,077
Weight Room	52	448	500	-	-
Foundation Grants	3,707	4,500	6,706	-	1,501
Band Club	1,189	1,413	1,067	-	1,535
Coca Cola Account-Lounge	877	606	233	-	1,250
Speech/Debate	338	690	396	-	632
Concessions	1,333	4,106	5,226	-	213
Staff Account	247	3,521	3,069	-	699
Milk Machine Account	1,065	3,479	3,531	-	1,013
Junior High Account	14,456	1,691	2,652	-	13,495
Coca Cola Account-Cafeteria	1,259	-	364	-	895
General Business Account	3,390	1,809	2,007	-	3,192
Cooking Lab	-	10	-	-	10
Athletic General Account	(1,673)	10,570	4,993	-	3,904
Football	-	4,075	4,075	-	-
Volleyball	1	4,833	4,834	-	-
Boys Basketball	-	2,864	2,864	-	-
Girls Basketball	-	2,239	2,239	-	-
Wrestling	-	1,005	1,005	-	-
Track	(5)	3,254	3,229	-	20
X-Country	-	2,682	2,859	-	(177)
Insufficient Checks	23	108	-	-	131
Library-Lost Book Fine Account	1,843	1,982	1,754	-	2,071
Band	77	-	-	-	77
Yearbook	7,388	1,815	4,477	-	4,726
Student Council	1,656	1,357	1,350	-	1,663
Wrestling Club	397	-	30	-	367
Girls Basketball Club	1,188	485	427	-	1,246
Volleyball Club	617	3,965	1,203	-	3,379
Track Club	2,099	1,620	2,486	-	1,233
Investment Account	81,164	335	1,778	-	79,721
SCIP	-	403	30	-	373
Subtotal - Junior High	<u>\$ 124,778</u>	<u>\$ 67,109</u>	<u>\$ 66,366</u>	<u>\$ -</u>	<u>\$ 125,521</u>
Subsidiary					
MS PTO Acct	\$ 66	\$ 12	\$ -	\$ -	\$ 78
Middle School Fund	64,858	33,600	51,384	-	47,074
MS Student Council	1,984	533	270	-	2,247

THE ACCOMPANYING NOTES ARE AN INTEGRAL
PART OF THE FINANCIAL STATEMENTS

MADISON COUNTY SCHOOL DISTRICT NO. 2
NORFOLK PUBLIC SCHOOLS

BUDGETARY COMPARISON SCHEDULE - ACTIVITIES FUND
MODIFIED CASH BASIS

FOR THE FISCAL YEAR ENDED AUGUST 31, 2015

UNAUDITED

	Balance 08/31/2014	Receipts	Disbursements	Transfers in (out)	Balance 08/31/2015
MS 07 Concession Stand	4,384	471	152	-	4,703
MS Coca Cola Income/Commission	1,728	1,809	2,505	-	1,032
MS Library	8,718	15,889	10,730	-	13,877
MS Band & Orchestra	241	2,506	1,380	-	1,367
Courtesy Fund	640	421	232	-	829
Cafeteria Food Service	6,229	196	1,157	-	5,268
AFS C/C Commission	-	10	-	-	10
Misc. Funds	65,728	65,640	33,079	-	98,289
Elementary Book Fines	3,238	496	138	-	3,596
JH C/C Commission	-	679	679	-	-
SH C/C Commission	-	1,512	1,512	-	-
Laminating	107	59	-	-	166
District Coke Cola Fund	25,192	17,199	3,855	-	38,536
Bel Air Fund	21,486	8,672	11,480	-	18,678
Special Ed Program	333	3,375	1,582	-	2,126
District Wellness	1,129	1,705	957	-	1,877
Grant Fund	5,650	13,796	4,833	-	14,613
Jefferson Fund	10,479	15,486	15,244	-	10,721
Lincoln Fund	1,907	2,395	2,440	-	1,862
Deaf & Hard Of Hearing	433	750	-	-	1,183
Montessori School Fund	1,227	1,270	785	-	1,712
Washington Fund	6,416	4,836	3,202	-	8,050
Westside Fund	6,732	22,508	19,881	-	9,359
Woodland Park Fund	7,088	16,988	17,739	-	6,337
Elementary Gifted Art	770	-	-	-	770
Digital Training	(1)	58	-	-	57
Red Ribbon Day	874	3,415	1,811	-	2,478
Challenge Fund	1,845	-	-	-	1,845
Parents Of Preschool	220	-	220	-	-
Reimbursement/Exchange Acct	(73,155)	556,117	503,501	-	(20,539)
Summer Insurance/Annuities	2,562	4,112	4,978	-	1,696
Returned Checks	(606)	-	110	-	(716)
21st Century Grant	-	4,000	-	-	4,000
EC Network Respite Grant	119	-	-	-	119
Computer Sales	967	14,124	11,129	-	3,962
Band Instrument Replacement	(57)	23,371	23,231	-	83
Band Uniforms	32,612	-	-	-	32,612
Middle School Autism Program	1,084	-	-	-	1,084
ECC Autism	330	-	-	-	330
Replacement Activity Cards	360	75	-	-	435
The Zone-Julie Pfeil	10,348	88,779	71,563	-	27,564
E-Book Grant	374	-	-	-	374
Subtotal - Subsidiary	<u>\$ 224,639</u>	<u>\$ 926,864</u>	<u>\$ 801,759</u>	<u>\$ -</u>	<u>\$ 349,744</u>
Total Activity Fund	<u><u>\$ 834,478</u></u>	<u><u>\$ 2,066,640</u></u>	<u><u>\$ 1,830,805</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,070,313</u></u>
Original/Final Budget		<u><u>\$ 2,542,000</u></u>	<u><u>\$ 3,342,486</u></u>		

THE ACCOMPANYING NOTES ARE AN INTEGRAL
PART OF THE FINANCIAL STATEMENTS

MADISON COUNTY SCHOOL DISTRICT NO. 2
NORFOLK PUBLIC SCHOOLS

BUDGETARY COMPARISON SCHEDULE - LUNCH FUND
MODIFIED CASH BASIS

FOR THE FISCAL YEAR ENDED AUGUST 31, 2015

UNAUDITED

	<u>Original/Final</u> <u>Budget</u>	<u>2015</u> <u>Actual</u>
Cash Receipts		
Interest	\$ 3,500	\$ 2,767
Sale of Lunches/Milk	690,500	784,279
Other Local Receipts	5,000	88,004
State Reimbursement	10,000	9,673
Federal Reimbursement	1,150,850	1,088,749
Transfers from General Fund	100,000	-
Total Cash Receipts	<u>\$ 1,959,850</u>	<u>\$ 1,973,472</u>
Cash Disbursements		
Salary - Clerical and Cooks	\$ 579,527	\$ 590,099
Employee Benefits	170,060	187,135
Purchased Services	92,207	38,667
Supplies and Materials (Excluding Food)	181,544	157,570
Food	950,000	1,021,043
Capital Outlay	38,000	87,656
Other Expenses	352,078	5,111
Total Cash Disbursements	<u>\$ 2,363,416</u>	<u>\$ 2,087,281</u>
Fund Balance, August 31, 2014		\$ 583,903
Total Cash Receipts		<u>1,973,472</u>
Total Funds Available		\$ 2,557,375
Total Cash Disbursements		<u>2,087,281</u>
Fund Balance, August 31, 2015		<u>\$ 470,094</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL
PART OF THE FINANCIAL STATEMENTS

MADISON COUNTY SCHOOL DISTRICT NO. 2
NORFOLK PUBLIC SCHOOLS
BUDGETARY COMPARISON SCHEDULE - BOND FUND
MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2015

UNAUDITED

	<u>Original/Final</u> <u>Budget</u>	<u>2015</u> <u>Actual</u>
Cash Receipts		
Local Property Taxes	\$ 2,105,000	\$ 2,016,315
Carline Taxes	500	349
Interest	8,500	13,025
Homestead Exemption	-	61,824
Property Tax Credit	-	66,179
Pro-Rate Motor Vehicle	7,500	7,505
Total Cash Receipts	<u>\$ 2,121,500</u>	<u>\$ 2,165,197</u>
Cash Disbursements		
Debt Services:		
Redemption of Principal	\$ 1,852,346	\$ 1,689,777
Debt Service Interest	252,654	252,054
Other Miscellaneous Expense	952,226	1,353
Total Cash Disbursements	<u>\$ 3,057,226</u>	<u>\$ 1,943,184</u>
Fund Balance, August 31, 2014		\$ 3,081,549
Total Cash Receipts		<u>2,165,197</u>
Total Funds Available		\$ 5,246,746
Total Cash Disbursements		<u>1,943,184</u>
Fund Balance, August 31, 2015		<u>\$ 3,303,562</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL
PART OF THE FINANCIAL STATEMENTS

MADISON COUNTY SCHOOL DISTRICT NO. 2
NORFOLK PUBLIC SCHOOLS

BUDGETARY COMPARISON SCHEDULE - SPECIAL BUILDING FUND
MODIFIED CASH BASIS

FOR THE FISCAL YEAR ENDED AUGUST 31, 2015

	<u>UNAUDITED</u>	
	Original/Final <u>Budget</u>	2015 <u>Actual</u>
Cash Receipts		
Local Property Taxes	\$ 204,803	\$ 200,138
Carline Taxes	-	588
Interest	8,500	11,950
Homestead Exemption	-	5,754
Property Tax Credit	-	6,835
Pro-Rate Motor Vehicle	-	76
Other Non-Revenue Receipts	-	30,477
Total Cash Receipts	<u>\$ 213,303</u>	<u>\$ 255,818</u>
Cash Disbursements		
Business - Building & Sites:		
Purchased Services	\$ 503,000	\$ 397,232
Building, Acquisition and Improvements	4,144,764	47,605
Total Cash Disbursements	<u>\$ 4,647,764</u>	<u>\$ 444,837</u>
Fund Balance, August 31, 2014		\$ 4,118,564
Total Cash Receipts		<u>255,818</u>
Total Funds Available		\$ 4,374,382
Total Cash Disbursements		<u>444,837</u>
Fund Balance, August 31, 2015		<u>\$ 3,929,545</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL
PART OF THE FINANCIAL STATEMENTS

MADISON COUNTY SCHOOL DISTRICT NO.2
NORFOLK PUBLIC SCHOOLS

BUDGETARY COMPARISON SCHEDULE - QUALIFIED CAPITAL PURPOSE
UNDERTAKING FUND - MODIFIED CASH BASIS

FOR THE FISCAL YEAR ENDED AUGUST 31, 2015

UNAUDITED

	<u>Original/Final Budget</u>	<u>2015 Actual</u>
Cash Receipts		
Local Property Taxes	\$ 1,025,000	\$ 961,339
Carline Taxes	200	191
Interest	8,500	6,134
Other Local Receipts	17,500	-
Homestead Exemption	-	28,798
Property Tax Credit	-	34,418
Pro-Rate Motor Vehicle	-	3,111
Sale of Bonds	4,400,000	4,455,000
Total Cash Receipts	<u>\$ 5,451,200</u>	<u>\$ 5,488,991</u>
Cash Disbursements		
Business Services - Buildings and Sites:		
Purchased Services	\$ -	\$ 2,384,751
Building, Acquisition and Improvements	7,513,211	-
Other Expenses	-	51,741
Debt Services:		
Redemption of Principal	804,000	525,000
Debt Service Interest	221,000	121,314
Total Cash Disbursements	<u>\$ 8,538,211</u>	<u>\$ 3,082,806</u>
Fund Balance, August 31, 2014		\$ 2,455,163
Total Cash Receipts		<u>5,488,991</u>
Total Funds Available		\$ 7,944,154
Total Cash Disbursements		<u>3,082,806</u>
Fund Balance, August 31, 2015		<u>\$ 4,861,348</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL
PART OF THE FINANCIAL STATEMENTS

MADISON COUNTY SCHOOL DISTRICT NO. 2
NORFOLK PUBLIC SCHOOLS

BUDGETARY COMPARISON SCHEDULE - COOPERATIVE FUND
MODIFIED CASH BASIS

FOR THE FISCAL YEAR ENDED AUGUST 31, 2015

UNAUDITED

	<u>Original/Final Budget</u>	<u>2015 Actual</u>
Cash Receipts		
Local Property Taxes	\$ -	\$ 107,807
Tuition from Other Districts (Special Education)	455,000	351,019
Interest	-	256
Other Local Receipts	-	38,278
Homestead Exemption	-	2,950
Property Tax Credit	-	3,525
Pro-Rate Motor Vehicle	-	357
Other State Receipts	200,000	232,922
Technology Bond Proceeds	94,000	100,000
Other Non-Revenue Receipts	423,688	4,024
Total Cash Receipts	<u>\$ 1,172,688</u>	<u>\$ 841,138</u>
Cash Disbursements		
Special Education Instruction	\$ 657,800	\$ 668,299
General Administration - Business Services	96,028	7,465
Federal Programs	12,450	11,680
Principal	100,000	100,000
Interest	117	322
Adult Education	650,000	-
Total Cash Disbursements	<u>\$ 1,516,395</u>	<u>\$ 787,766</u>
Fund Balance, August 31, 2014		\$ 346,672
Total Cash Receipts		<u>841,138</u>
Total Funds Available		\$ 1,187,810
Total Cash Disbursements		<u>787,766</u>
Fund Balance, August 31, 2015		<u>\$ 400,044</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL
PART OF THE FINANCIAL STATEMENTS

MADISON COUNTY SCHOOL DISTRICT NO. 2
NORFOLK PUBLIC SCHOOLS

NOTE TO BUDGETARY COMPARISON SCHEDULES
ALL FUNDS

AUGUST 31, 2015

UNAUDITED

NOTE 1 - BUDGET PROCESS AND PROPERTY TAXES

The District is required by state law to adopt annual budgets for all the funds it uses. The budget is presented on the modified cash basis of accounting, which is consistent with the requirements of the Nebraska Budget Act.

The Nebraska Budget Act provides the prescribed budget practices and procedures that government entities are required to follow. The amounts that may be budgeted for certain specific funds are subject to various expenditures and/or tax levy limitations.

The following procedures are followed in establishing the budgetary data reflected in the supplementary information:

1. As of August 1, or shortly thereafter, the administration of the District prepares a proposed operating budget for the fiscal year commencing the following September 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to the budget filing date, the budget is legally adopted by the Board of Education through the passage of a resolution.
4. Total actual expenditures may not legally exceed the total budget of expenditures. Appropriations for expenditures lapse at year-end and any revisions require a public hearing and Board approval.
5. The property tax requirement resulting from the budget process is utilized to establish the tax levy in accordance with state statutes. The tax levy attaches as an enforceable lien on property within the District as of January 1. Taxes are due as of that date. One-half of the real estate taxes due January 1 become delinquent on the following May 1, with the second one-half becoming delinquent on September 1.



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INDEPENDENT AUDITORS' 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*

To the Board of Education
Madison County School District No. 2
Norfolk Public Schools
Norfolk, Nebraska

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Madison County School District No. 2, Norfolk Public Schools, as of and for the fiscal year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise Madison County School District No. 2, Norfolk Public Schools' basic financial statements and have issued our report thereon dated October 12, 2015.

Our report disclosed that, as described in Note 1 to the financial statements, Madison County School District No. 2, Norfolk Public Schools prepares its financial statements on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Madison County School District No. 2, Norfolk Public Schools' 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 Madison County School District No. 2, Norfolk Public Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Madison County School District No. 2, Norfolk Public Schools' internal control.

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

Madison County School District No. 2
Norfolk Public Schools

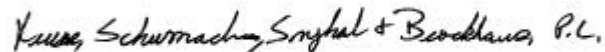
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not 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 No. 2, Norfolk Public Schools' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial 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*.

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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



KRUSE, SCHUMACHER, SMEJKAL & BROCKHAUS, P.C.
Certified Public Accountants

Norfolk, Nebraska
October 12, 2015



KRUSE, SCHUMACHER,
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Education
Madison County School District No. 2
Norfolk Public Schools
Norfolk, Nebraska

Report on Compliance for Each Major Federal Program

We have audited Madison County School District No. 2, Norfolk Public Schools' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Madison County School District No. 2, Norfolk Public Schools' major federal programs for the fiscal year ended August 31, 2015. Madison County School District No. 2, Norfolk Public Schools' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Madison County School District No. 2, Norfolk Public Schools' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Madison County School District No. 2, Norfolk Public Schools' 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 No. 2, Norfolk Public Schools' compliance.

Opinion on Each Major Federal Program

In our opinion, Madison County School District No. 2, Norfolk Public Schools, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended August 31, 2015.

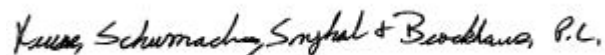
Report on Internal Control over Compliance

Management of Madison County School District No. 2, Norfolk Public Schools, 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 No. 2, Norfolk Public Schools' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Madison County School District No. 2, Norfolk Public Schools' 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 a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



KRUSE, SCHUMACHER, SMEJKAL & BROCKHAUS, P.C.
Certified Public Accountants

Norfolk, Nebraska
October 12, 2015

MADISON COUNTY SCHOOL DISTRICT NO. 2
NORFOLK PUBLIC SCHOOLS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED AUGUST 31, 2015

FEDERAL GRANTOR/PASS-THROUGH GRANTOR PROGRAM OR CLUSTER TITLE	<u>FEDERAL CFDA NUMBER</u>	<u>PASS THROUGH GRANTOR NUMBER</u>	<u>TOTAL EXPENDITURES</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through State Department of Education:			
Child Nutrition Cluster:			
National School Lunch Program (NSLP)	10.555	59-0002	\$ 1,088,749
Passed through State Department of Health and Human Services:			
Food Distribution Program (Note 2)	10.555	59-0002	<u>81,022</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>\$ 1,169,771</u>
U.S. DEPARTMENT OF EDUCATION			
Direct Funding			
Indian Education	84.060		<u>\$ 60,172</u>
Passed through State Department of Education:			
Special Education Cluster (IDEA)			
Special Education - IDEA, Part B (611)	84.027	59-0002	\$ 1,043,485
Special Education - IDEA Preschool (619)	84.173	59-0002	<u>20,588</u>
Total Special Education Cluster (IDEA)			<u>\$ 1,064,073</u>
Special Education - IDEA, Part C Ages Birth - 3	84.181	59-0002	\$ 2,543
Title I, Part A	84.010	59-0002	900,701
Title I, Part C - Migrant Education	84.011	59-0002	10,519
Career/Technical Education - Basic Grants	84.048	59-0002	54,921
21st Century Community Learning Centers	84.287	59-0002	176,866
Advanced Placement Grants	84.330	59-0002	44
Title II, Part A Teacher Quality Grants	84.367	59-0002	122,966
Title III - LEP and Immigrants Grants	84.365	59-0002	<u>25,981</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>\$ 2,418,786</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through Nebraska Association of School Boards (NASB):			
Medicaid Administrative Activities	93.778	47-6004162	<u>\$ 156,019</u>
U.S. DEPARTMENT OF THE INTERIOR			
Direct Funding			
Johnson-O'Malley Grant	15.130		<u>\$ 10,366</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 3,754,942</u></u>

See accompanying notes to the Schedule of Expenditures of Federal Awards

MADISON COUNTY SCHOOL DISTRICT NO. 2
NORFOLK PUBLIC SCHOOLS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

AUGUST 31, 2015

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of Madison County School District No. 2, Norfolk Public Schools, and is presented on the modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

NOTE 2 - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. The value of commodities included in the schedule of expenditures of federal awards was \$81,022 for the fiscal year ended August 31, 2015. As Madison County School District No. 2, Norfolk Public Schools utilizes the modified cash basis of accounting; inventory at year-end is not accounted for.

MADISON COUNTY SCHOOL DISTRICT NO. 2
NORFOLK PUBLIC SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED AUGUST 31, 2015

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of Madison County School District No. 2, Norfolk Public Schools.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditors' 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*.
3. No instances of noncompliance material to the financial statements of Madison County School District No. 2, Norfolk Public Schools, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of internal control over major federal programs are reported in the Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required By OMB Circular A-133.
5. The Independent Auditors' Report on Compliance For Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133 for Madison County School District No. 2, Norfolk Public Schools, expresses an unmodified opinion on all major federal programs.
6. There were no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs included:

<u>Program Name</u>	<u>CFDA #</u>
Child Nutrition Cluster (CNC)	10.555
Title I	84.010
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. Madison County School District No. 2, Norfolk Public Schools, did qualify as a low-risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT

None

FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None



KRUSE, SCHUMACHER,
SMEJKAL & BROCKHAUS, P.C.

October 12, 2015

CERTIFIED
PUBLIC ACCOUNTANTS
& BUSINESS CONSULTANTS

To the Board of Education
Madison County School District No. 2
Norfolk Public Schools
Norfolk, Nebraska

Daniel M. Kruse
Richard E. Schumacher
Scott T. Smejkal
Mark J. Brockhaus
Brock J. Herley

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Madison County School District No. 2, Norfolk Public Schools (the District), for the fiscal year ended August 31, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information to you in our letter dated August 4, 2015. Professional standards also require that we communicate to you the following information related to our audit.

3403 27th Street
P.O. Box 280
Columbus, NE 68602-0280
P: 402 564 1366
F: 402 564 1360

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Madison County School District No. 2, Norfolk Public Schools, are described in Note 1 to the financial statements. As described in Note 13 to the financial statements, the District changed accounting policies related to the accounting for payments to the Nebraska Public Employees Retirement System by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, in the fiscal year ended August 31, 2015. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

508 West Prospect Avenue
P.O. Box 368
Norfolk, NE 68702-0368
P: 402 379 2722
F: 402 379 2218

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statement was:

The disclosure of long-term debt activity in Note 4 to the financial statements describes the District's long-term debt currently outstanding as well as future debt payments.

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The financial statements disclosures are neutral, consistent, and clear.

MEMBERS

American Institute of
Certified Public Accountants
Nebraska Society of
Certified Public Accountants

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 12, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We were engaged to report on the schedule of expenditures of federal awards, which accompanies the financial statements but is not required supplementary information (RSI). With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with the modified cash basis of accounting, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the budgetary comparison schedules, which accompany the financial statements, but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of the Board of Education and management of Madison County School District No. 2, Norfolk Public Schools, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours

Kruse, Schumacher, Smejkal & Brockhaus, P.C.

KRUSE, SCHUMACHER, SMEJKAL & BROCKHAUS, P.C.
Certified Public Accountants