



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.



Madison County School District
Audited Financial Statements
For the Year Ended June 30, 2015

Fortenberry & Ballard, PC
Certified Public Accountants

**Madison County School District
TABLE OF CONTENTS**

	PAGE #
INDEPENDENT AUDITOR’S REPORT ON THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION	4
MANAGEMENT’S DISCUSSION AND ANALYSIS	8
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Exhibit A - Statement of Net Position	18
Exhibit B - Statement of Activities	19
Governmental Funds Financial Statements	
Exhibit C - Balance Sheet	20
Exhibit C-1 - Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	21
Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances	22
Exhibit D-1 - Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	23
Fiduciary Funds Financial Statements	
Exhibit E - Statement of Fiduciary Assets and Liabilities	24
Notes to the Financial Statements	26
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund	50
Budgetary Comparison Schedule - EEF Building and Buses Fund	51
Schedule of the District’s Proportionate Share of the Net Pension Liability	52
Schedule of District Contributions	53
Notes to the Required Supplementary Information	55
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	57
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds	58
OTHER INFORMATION	
Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years	60
Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years	61
REPORTS ON INTERNAL CONTROL AND COMPLIANCE	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	63
Independent Auditor’s Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133	65
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	68
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	71

FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL
STATEMENTS AND SUPPLEMENTARY INFORMATION

Superintendent and School Board
Madison County School District

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Madison County School District, as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the school district adopted Governmental Accounting Standards Board (“GASB”) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. As a result, net position as of July 1, 2014, has been restated. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and budgetary comparison information and the Schedules of the District’s Proportionate Share of the Net Pension Liability and of the District’s Contributions on pages 8 to 16 and 50 to 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Madison County School District’s basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other

Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

The other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years has 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 any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2015, on our consideration of the Madison County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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's internal control over financial reporting and compliance.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
November 24, 2015

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

MADISON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

The following discussion and analysis of Madison County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2015. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net position for 2015 decreased \$102,391,131, including a prior period adjustment of (\$114,965,617), which represents a 49% decrease from fiscal year 2014. See Note 8 for further details explaining the prior period adjustment that caused a decrease in the net position during the 2015 fiscal year. Total net position for 2014 increased \$11,350,939, including a prior period adjustment of \$4,094, which represents a 6% increase from fiscal year 2013.
- General revenues amounted to \$124,303,301 and \$113,801,067, or 90% and 88% of all revenues for fiscal years 2015 and 2014, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$14,280,507, or 10% of total revenues for 2015, and \$14,845,835, or 12% of total revenues for 2014.
- The District had \$126,009,322 and \$117,300,057, in expenses for fiscal years 2015 and 2014; only \$14,280,507 for 2015 and \$14,845,835 for 2014 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$124,303,301 for 2015 and \$113,801,067 for 2014 were adequate to provide for these programs.
- Among major funds, the General Fund had \$105,812,411 in revenues and \$106,771,718 in expenditures for 2015, and \$98,557,479 in revenues and \$92,243,749 in expenditures in 2014. The General Fund's fund balance decreased by \$12,162,044, including the fund reclass of Sixteenth Section Interest Funds from Special Revenue Funds to General Fund and a prior period adjustment of \$60,100, from 2014 to 2015, and increased by \$3,614,243 from 2013 to 2014.
- Capital assets, net of accumulated depreciation, increased by \$20,343,961 for 2015 and decreased by \$1,093,461 for 2014. The increase for 2015 was due to the additions of a new central office, a preschool, and building improvements to the academic options center coupled with the increase in accumulated depreciation.
- Long-term debt decreased by \$8,195,000 for 2015 and decreased by \$11,380,000 for 2014. This decrease for 2015 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$230,927 for 2015 and increased by \$23,864 for 2014.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the District's basic financial statements, which include government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains required supplementary information, supplementary information, and other information.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the District's finances. These statements consist of the Statement of Net Position and the Statement of Activities, which are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

MADISON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

The Statement of Net Position presents information on all the District's nonfiduciary assets and liabilities, with the differences between the two reported as "net position." Over time, increases or decreases in the District's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

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

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, non-instructional, sixteenth section, pension expense and interest on long-term liabilities.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds – Most of the District's general activities are reported in its governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds are accounted for using the modified accrual basis of accounting and the flow of current financial resources measurement focus. The approach focuses on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at year end. The governmental fund statements provide a detailed view of the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may gain a better understanding of the long-term impact of the District's near-term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Position, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts*. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All non-major funds are combined and presented in these reports as other governmental funds.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. These funds are reported using the accrual basis of accounting. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

**MADISON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

Reconciliation of Government-wide and Fund Financial Statements

The financial statements include two schedules that reconcile the amounts reported on the governmental funds financial statements (modified accrual basis of accounting) with government-wide financial statements (accrual basis of accounting). The following summarizes the major differences between the two statements:

Capital assets used in governmental activities are not reported on governmental funds financial statements.

Capital outlay spending results in capital assets on government-wide financial statements, but is reported as expenditures on the governmental funds financial statements.

Bond and note proceeds result in liabilities on government-wide financial statements, but are recorded as other financing sources on the governmental funds financial statements.

Certain other outflows represent either increases or decreases in liabilities on the government-wide financial statements, but are reported as expenditures on the governmental funds financial statements.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board. Additionally, the Schedule of the District's Proportionate Share of the Net Pension Liability and the Schedule of District's Contributions are presented in this section.

Supplementary Information

Additionally, a Schedule of Expenditures of Federal Awards as required by OMB Circular A-133 and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

Other Information

Although not a required part of the basic financial statements, the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$106,887,242 as

MADISON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

of June 30, 2015.

The District's financial position is a product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

Table 1 presents a summary of the District's net position at June 30, 2015 and June 30, 2014.

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

Table 1
Condensed Statement of Net Position

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Current assets	\$ 71,326,971	\$ 87,750,255	(18.72) %
Restricted assets	5,993,362	6,292,094	(4.75) %
Capital assets, net	238,200,781	217,856,820	9.34 %
Total assets	<u>315,521,114</u>	<u>311,899,169</u>	1.16 %
Deferred outflows of resources			
Deferred outflow from advance refunding of debt	1,816,031	2,057,512	(11.74) %
Deferred outflow related to pensions	16,582,219	-	
Total deferred outflows of resources	<u>18,398,250</u>	<u>2,057,512</u>	794.20 %
Current liabilities			
Current liabilities	1,792,451	2,456,590	(27.03) %
Long-term debt outstanding	93,975,611	102,221,718	(8.07) %
Net pension liability	114,645,371	-	
Total liabilities	<u>210,413,433</u>	<u>104,678,308</u>	101.01 %
Deferred inflows of resources			
Deferred inflow related to pensions	16,618,689	-	
Total deferred inflows of resources	<u>16,618,689</u>	<u>-</u>	
Net position:			
Net investment in capital assets	148,584,111	120,166,037	23.65 %
Restricted	26,256,048	39,821,165	(34.07) %
Unrestricted	(67,952,917)	49,291,171	(237.86) %
Total net position	<u>\$ 106,887,242</u>	<u>\$ 209,278,373</u>	(48.93) %

Additional information on unrestricted net position:

In connection with the implementation of new standards on accounting and financial reporting for pensions, management presents the following additional information:

Total unrestricted net position (deficit)	\$ (67,952,917)
Less unrestricted deficit in net position resulting from implementation of GASB Statements 68 & 71	114,681,841
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 46,728,924</u>

The following are significant current year transactions that have had an impact on the Statement of Net Position.

**MADISON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

- Increase in net capital assets in the amount of \$20,343,961.
- Implementation of GASB Statement No. 68 which required the recording of a liability for the proportionate share of the school district as well as the recording of deferred outflows/inflows of resources on the Statement of Net Position.
- The principal retirement of \$8,195,000 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2015 and June 30, 2014 were \$138,583,808 and \$128,646,902, respectively. The total cost of all programs and services was \$126,009,322 for 2015 and \$117,300,057 for 2014.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2015 and June 30, 2014.

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

**Table 2
Changes in Net Position**

	<u>Year Ended June 30, 2015</u>	<u>Year Ended June 30, 2014</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 4,034,780	\$ 4,142,036	(2.59) %
Operating grants and contributions	10,245,727	10,703,799	(4.28) %
General revenues:			
Property taxes	62,486,087	60,069,625	4.02 %
Grants and contributions not restricted	52,334,273	50,696,479	3.23 %
Investment earnings	183,038	1,454,645	(87.42) %
Sixteenth section sources	1,356,464	1,071,027	26.65 %
Other	7,943,439	509,291	1,459.71 %
Total revenues	138,583,808	128,646,902	7.72 %
Expenses:			
Instruction	64,994,571	67,921,245	(4.31) %
Support services	43,021,646	40,195,511	7.03 %
Non-instructional	4,917,077	5,333,814	(7.81) %
Sixteenth section	238,266	248,361	(4.06) %
Pension expense	9,580,218		
Interest on long-term liabilities	3,257,544	3,601,126	(9.54) %
Total expenses	126,009,322	117,300,057	7.42 %
Increase (Decrease) in net position	12,574,486	11,346,845	10.82 %
Net Position, July 1, as previously reported	209,278,373	197,927,434	5.73 %
Prior Period Adjustment	(114,965,617)	4,094	(2,808,248.93) %
Net Position, July 1, as restated	94,312,756	197,931,528	(52.35) %
Net Position, June 30	\$ 106,887,242	\$ 209,278,373	(48.93) %

**MADISON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

Governmental activities

The following table presents the cost of six major District functional activities: instruction, support services, non-instructional, sixteenth section, pension expense, and interest on long-term liabilities. The table also shows each functional activity's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost presents the financial burden that was placed on the State and District's taxpayers by each of these functions.

GASB 68 was implemented in fiscal year 2015. Prior year amounts do not reflect the implementation of GASB 68.

**Table 3
Net Cost of Governmental Activities**

	Total Expenses		Percentage Change
	2015	2014	
Instruction	\$ 64,994,571	\$ 67,921,245	(4.31) %
Support services	43,021,646	40,195,511	7.03 %
Non-instructional	4,917,077	5,333,814	(7.81) %
Sixteenth section	238,266	248,361	(4.06) %
Pension Expense	9,580,218		
Interest on long-term liabilities	3,257,544	3,601,126	(9.54) %
Total expenses	\$ 126,009,322	\$ 117,300,057	7.42 %

	Net (Expense) Revenue		Percentage Change
	2015	2014	
Instruction	\$ (58,992,045)	\$ (60,740,974)	(2.88) %
Support services	(40,158,394)	(37,840,168)	6.13 %
Non-instructional	447,762	(56,961)	(886.09) %
Sixteenth section	(188,376)	(214,993)	(12.38) %
Pension Expense	(9,580,218)		
Interest on long-term liabilities	(3,257,544)	(3,601,126)	(9.54) %
Total net (expense) revenue	\$ (111,728,815)	\$ (102,454,222)	9.05 %

- Net cost of governmental activities (\$111,728,815 for 2015 and \$102,454,222 for 2014) was financed by general revenue, which is primarily made up of property taxes (\$62,486,087 for 2015 and \$60,069,625 for 2014) and state and federal revenues (\$52,334,273 for 2015 and \$50,696,479 for 2014). In addition, there was \$1,356,464 and \$1,071,027 in Sixteenth Section sources for 2015 and 2014, respectively.
- Investment earnings amounted to \$183,038 for 2015 and \$1,454,645 for 2014.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**MADISON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

Governmental funds. The focus of the District's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$76,168,281, a decrease of \$16,120,097, which includes a prior period adjustment of \$63,107 and an increase in inventory of \$26,699. \$22,033,594 or 29% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$54,134,687 or 71% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$12,162,044, which includes a prior period adjustment of \$60,100 and a fund reclassification for the Sixteenth Section Interest Funds in the amount of \$14,507,160. The fund balance of Other Governmental Funds showed a decrease in the amount of \$12,716,006, which includes a prior period adjustment of \$3,007, fund reclassification for the Sixteenth Section Interest Funds in the amount of (\$14,507,160) and an increase in inventory of \$26,699. The (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>(Decrease)</u>
EEF Building & Buses Fund	\$ (1,077,491)
District Construction Fund	\$ (14,488,644)

BUDGETARY HIGHLIGHTS

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and major special revenue fund is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2015, the District's total capital assets were \$309,302,459, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment. This amount represents an increase of \$26,240,241 from 2014. Total accumulated depreciation as of June 30, 2015, was \$71,101,678, and total depreciation expense for the year was \$6,375,174, resulting in total net capital assets of \$238,200,781.

**MADISON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

**Table 4
Capital Assets, Net of Accumulated Depreciation**

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Land	\$ 7,089,984	\$ 7,089,984	0.00 %
Construction in Progress	8,813,765	969,835	808.79 %
Buildings	205,263,474	194,303,453	5.64 %
Building improvements	6,515,564	4,217,175	54.50 %
Improvements other than buildings	9,112,728	9,525,391	(4.33) %
Mobile equipment	761,351	897,285	(15.15) %
Furniture and equipment	643,915	853,697	(24.57) %
Total	\$ 238,200,781	\$ 217,856,820	9.34 %

Additional information on the District's capital assets can be found in Note 5 included in this report.

Debt Administration. At June 30, 2015, the District had \$91,464,982 in outstanding long-term debt, of which \$8,945,599 is due within one year. The liability for compensated absences increased \$230,927 from the prior year.

The District was upgraded to an AA bond rating.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 83,195,000	\$ 89,480,000	(7.02) %
Limited obligation bonds payable	3,305,000	4,120,000	(19.78) %
Three mill notes payable	970,000	2,065,000	(53.03) %
Qualified school construction bonds payable	2,883,000	2,883,000	0.00 %
Compensated absences payable	1,111,982	881,055	26.21 %
Total	\$ 91,464,982	\$ 99,429,055	(8.01) %

Additional information on the District's long-term debt can be found in Note 6 included in this report.

CURRENT ISSUES

The Madison County School District is financially stable. The District is proud of its community support of the public schools.

The District has committed itself to financial excellence for many years. The District's system of financial planning, budgeting, and internal financial controls is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

The District actively pursues grant funding to supplement the local, state, and federal revenues.

**MADISON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Madison County School District, 476 Highland Colony Parkway, Ridgeland, MS 39157.

FINANCIAL STATEMENTS

MADISON COUNTY SCHOOL DISTRICT

Statement of Net Position
June 30, 2015

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 67,000,215
Due from other governments	4,000,586
Accrued interest receivable	5,170
Other receivables, net	4,190
Inventories	84,216
Prepaid items	232,594
Restricted assets	5,993,362
Capital assets, non-depreciable:	
Land	7,089,984
Construction in progress	8,813,765
Capital assets, net of accumulated depreciation:	
Buildings	205,263,474
Building improvements	6,515,564
Improvements other than buildings	9,112,728
Mobile equipment	761,351
Furniture and equipment	643,915
Total Assets	315,521,114
 Deferred Outflows of Resources	
Deferred outflow from advance refunding of debt	1,816,031
Deferred outflow related to pensions	16,582,219
Total Deferred Outflows of Resources	18,398,250
 Liabilities	
Accounts payable and accrued liabilities	1,152,052
Interest payable on long-term liabilities	640,399
Long-term liabilities, due within one year:	
Capital related liabilities	8,890,000
Non-capital related liabilities	55,599
Long-term liabilities, due beyond one year:	
Capital related liabilities	81,463,000
Capital related bond premium	2,510,629
Non-capital related liabilities	1,056,383
Net pension liability	114,645,371
Total Liabilities	210,413,433
 Deferred Inflows of Resources	
Deferred inflow related to pensions	16,618,689
Total Deferred Inflows of Resources	16,618,689
 Net Position	
Net investment in capital assets	148,584,111
Restricted for:	
Expendable:	
School-based activities	3,046,088
Debt service	20,558,284
Forestry improvements	187,516
Unemployment benefits	429,567
Non-expendable:	
Sixteenth section	2,034,593
Unrestricted	(67,952,917)
Total Net Position	\$ 106,887,242

MADISON COUNTY SCHOOL DISTRICT

**Statement of Activities
For the Year Ended June 30, 2015**

Exhibit B

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction	\$ 64,994,571	\$ 1,585,625	\$ 4,416,901	\$ (58,992,045)
Support services	43,021,646	2,822	2,860,430	(40,158,394)
Non-instructional	4,917,077	2,396,443	2,968,396	447,762
Sixteenth section	238,266	49,890	-	(188,376)
Pension Expense	9,580,218	-	-	(9,580,218)
Interest on long-term liabilities	3,257,544	-	-	(3,257,544)
Total Governmental Activities	\$ 126,009,322	\$ 4,034,780	\$ 10,245,727	\$ (111,728,815)

General Revenues:

Taxes:

General purpose levies	50,395,524
Debt purpose levies	12,090,563

Unrestricted grants and contributions:

State	51,990,552
Federal	343,721
Unrestricted investment earnings	183,038
Sixteenth section sources	1,356,464
Other	7,943,439
Total General Revenues	124,303,301

Change in Net Position	12,574,486
------------------------	------------

Net Position - Beginning, as previously reported	209,278,373
Prior Period Adjustments	(114,965,617)

Net Position - Beginning, as restated	94,312,756
---------------------------------------	------------

Net Position - Ending	\$ 106,887,242
-----------------------	----------------

MADISON COUNTY SCHOOL DISTRICT
Governmental Funds

Balance Sheet
June 30, 2015

Exhibit C

	Major Funds				Total Governmental Funds
	General Fund	EEF Building & Buses Fund	District Construction Fund	Other Governmental Funds	
Assets					
Cash and cash equivalents	\$ 40,689,720	\$ 2,009,177	\$ 4,912,264	\$ 22,614,276	\$ 70,225,437
Cash with fiscal agents	-	-	-	490,849	490,849
Investments	-	-	-	2,277,291	2,277,291
Due from other governments	2,924,768	32,144	-	1,013,246	3,970,158
Accrued interest receivable	-	-	-	5,170	5,170
Other receivables, net	4,190	-	-	-	4,190
Due from other funds	281,974	-	-	135	282,109
Advance to other funds	-	-	-	209,504	209,504
Inventories	-	-	-	84,216	84,216
Prepaid items	232,594	-	-	-	232,594
Total assets	<u>\$ 44,133,246</u>	<u>\$ 2,041,321</u>	<u>\$ 4,912,264</u>	<u>\$ 26,694,687</u>	<u>\$ 77,781,518</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	\$ 264,918	\$ 373,594	\$ 497,588	\$ 15,952	\$ 1,152,052
Due to other funds	-	-	-	251,681	251,681
Advances from other funds	209,504	-	-	-	209,504
Total Liabilities	<u>474,422</u>	<u>373,594</u>	<u>497,588</u>	<u>267,633</u>	<u>1,613,237</u>
Fund Balances:					
Nonspendable:					
Inventory	-	-	-	84,216	84,216
Permanent fund principal	-	-	-	2,034,593	2,034,593
Prepaid items	232,594	-	-	-	232,594
Restricted:					
Debt service	-	-	-	21,198,683	21,198,683
Capital projects	-	-	-	1,430,928	1,430,928
Forestry improvement purposes	-	-	-	187,516	187,516
Unemployment benefits	-	-	-	429,567	429,567
Child Nutrition	-	-	-	742,833	742,833
Committed:					
Capital projects and renovations	-	1,667,727	4,414,676	-	6,082,403
Other purposes	-	-	-	299,740	299,740
Assigned:					
Facility repair and renovations	5,575,390	-	-	-	5,575,390
Technology	3,192,000	-	-	-	3,192,000
Sixteenth section capital projects and renovations	10,675,635	-	-	-	10,675,635
School activity funds	1,081,882	-	-	-	1,081,882
Textbooks	325,399	-	-	-	325,399
Other purposes	542,330	-	-	18,978	561,308
Total Fund Balances	<u>43,658,824</u>	<u>1,667,727</u>	<u>4,414,676</u>	<u>26,427,054</u>	<u>76,168,281</u>
Total Liabilities and Fund Balances	<u>\$ 44,133,246</u>	<u>\$ 2,041,321</u>	<u>\$ 4,912,264</u>	<u>\$ 26,694,687</u>	<u>\$ 77,781,518</u>

MADISON COUNTY SCHOOL DISTRICT

Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2015

Exhibit C-1

Total fund balances for governmental funds \$ 76,168,281

Amounts reported for governmental activities in the statement of Net Position are different because:

1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:

Land	\$ 7,089,984	
Construction in progress	8,813,765	
Buildings	264,589,315	
Building improvements	7,250,800	
Improvements other than buildings	13,533,976	
Mobile equipment	3,059,993	
Furniture and equipment	4,964,626	
Accumulated depreciation	<u>(71,101,678)</u>	238,200,781

2. Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds:

Net pension liability (114,645,371)

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions	16,582,219	
Deferred inflows of resources related to pensions	<u>(16,618,689)</u>	(114,681,841)

3. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:

General obligation bonds	(83,195,000)	
Limited obligation bonds	(3,305,000)	
Other bonds payable	(2,883,000)	
Notes payable	(970,000)	
Compensated absences	(1,111,982)	
Unamortized charges	1,816,031	
Unamortized premiums	(2,510,629)	
Accrued interest payable	<u>(640,399)</u>	(92,799,979)

Net Position of governmental activities \$ 106,887,242

MADISON COUNTY SCHOOL DISTRICT

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2015

Exhibit D

	Major Funds				Total Governmental Funds
	General Fund	EEF Building & Buses Fund	District Construction Fund	Other Governmental Funds	
Revenues:					
Local sources	\$ 52,474,451	\$ 5,863	\$ -	\$ 14,837,127	\$ 67,317,441
State sources	51,616,773	384,512	-	2,731,564	54,732,849
Federal sources	377,751	-	-	7,469,400	7,847,151
Sixteenth section sources	1,343,436	-	-	141,205	1,484,641
Total Revenues	105,812,411	390,375	-	25,179,296	131,382,082
Expenditures:					
Instruction	60,025,958	-	-	6,375,126	66,401,084
Support services	41,393,796	384,043	60,344	3,116,620	44,954,803
Noninstructional services	-	-	-	5,020,582	5,020,582
Sixteenth section	174,962	-	-	63,304	238,266
Facilities acquisition and construction	5,167,050	1,083,823	14,475,705	-	20,726,578
Debt service:					
Principal	-	-	-	8,195,000	8,195,000
Interest	9,952	-	-	3,336,859	3,346,811
Other	-	-	-	13,506	13,506
Total Expenditures	106,771,718	1,467,866	14,536,049	26,120,997	148,896,630
Excess (Deficiency) of Revenues over (under) Expenditures	(959,307)	(1,077,491)	(14,536,049)	(941,701)	(17,514,548)
Other Financing Sources (Uses):					
Insurance recovery	2,822	-	-	-	2,822
Payments held by escrow agent	-	-	-	231,863	231,863
Payment to QSCB debt escrow agent	-	-	-	(231,863)	(231,863)
Sale of other property	1,300,000	-	-	-	1,300,000
Operating transfers in	38,106	-	47,405	3,202,908	3,288,419
Other financing sources	1,805	-	-	18	1,823
Operating transfers out	(2,788,642)	-	-	(499,777)	(3,288,419)
Total Other Financing Sources (Uses)	(1,445,909)	-	47,405	2,703,149	1,304,645
Net Change in Fund Balances	(2,405,216)	(1,077,491)	(14,488,644)	1,761,448	(16,209,903)
Fund Balances:					
July 1, 2014, as previously reported	31,496,780	2,745,218	18,903,320	39,143,060	92,288,378
Fund reclassification	14,507,160	-	-	(14,507,160)	-
Prior period adjustments	60,100	-	-	3,007	63,107
July 1, 2014, as restated	46,064,040	2,745,218	18,903,320	24,638,907	92,351,485
Increase (Decrease) in inventory	-	-	-	26,699	26,699
June 30, 2015	\$ 43,658,824	\$ 1,667,727	\$ 4,414,676	\$ 26,427,054	\$ 76,168,281

MADISON COUNTY SCHOOL DISTRICT

Governmental Funds

**Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2015**

Exhibit D-1

Net change in fund balances - total governmental funds **\$ (16,209,903)**

Amounts reported for governmental activities in the statement of activities are different because:

1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 27,017,882	
Depreciation expense	<u>(6,375,174)</u>	20,642,708

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in Net Position differs from the change in fund balance by the cost of the assets sold. (117,693)

3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on Net Position. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

Payments of debt principal	8,195,000	
Accrued interest payable	<u>62,220</u>	8,257,220

4. Some items reported in the statement of activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:

Recording of pension expense for the current period	(9,580,218)	
Recording of contributions made subsequent to the measurement date	<u>9,746,047</u>	165,829

5. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:

Change in compensated absences	(230,927)	
Change in inventory	26,699	
Amortization of charges, premiums and discounts	<u>40,553</u>	(163,675)

Change in Net Position of governmental activities **\$ 12,574,486**

MADISON COUNTY SCHOOL DISTRICT
Fiduciary Funds

Statement of Fiduciary Assets and Liabilities
June 30, 2015

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 3,436,154
Cash with fiscal agents	30,000
Other receivables	2,096
Total Assets	<u>\$ 3,468,250</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 2,963,956
Due to other funds	30,428
Due to student clubs	473,866
Total Liabilities	<u>\$ 3,468,250</u>

Madison County School District

Notes to the Financial Statements
For the Year Ended June 30, 2015

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2015

Note 1 – Summary of Significant Accounting Policies

The accompanying financial statements of the school district have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the school district's accounting policies are described below.

A. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five member board to which each member is elected by the citizens of each defined county district.

For financial reporting purposes, Madison County School District has included all funds and organizations. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Position presents the District's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2015

Fund Financial Statements - Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

EEF Building and Buses Fund - This is a special revenue fund that accounts for state sources received and expenditures incurred to assist the District in providing building improvements or new buses.

District Construction Fund - This is a capital projects fund that accounts for funds transferred from the General Fund to be used for the acquisition, construction or renovation of major capital facilities.

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements.

The school district also reports fiduciary funds (agency funds) which focus on assets and liabilities only. The District's fiduciary funds include the following:

Payroll Clearing Fund - This fund is used as a clearing fund for payroll type transactions.

Student Club Funds - These various funds account for the monies raised through school club activities and fund raisers and club related expenditures approved by the individual clubs.

Accounts Payable Clearing Fund - This fund is used as a clearing fund for non-payroll type transactions.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

Special Revenue Funds - Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital Projects Funds - Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Debt Service Funds - Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Permanent Funds - Permanent Funds are used to account for and report resources that are restricted to the extent that only earnings, and not the principal, may be used for purposes that support the district's programs.

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2015

FIDUCIARY FUNDS

Agency Funds - Agency Funds are used to report resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting, as are the Fiduciary Fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenues when entitlement occurs. Federal reimbursement type grants are recorded as revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

Property taxes, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual.

Ad valorem property taxes are levied by the governing authority of the county on behalf of the school district based upon an order adopted by the school board of the school district requesting an ad valorem tax effort in dollars. Since the taxes are not levied and collected by the school district, the revenues to be generated by the annual levies are not recognized until the taxes are actually collected by the tax levying authority.

Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The effect of inter-fund activity has been eliminated from the government-wide statements.

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2015

Revenues from the Mississippi Adequate Education Program are appropriated on a fiscal year basis and are recorded at the time the revenues are received from the State of Mississippi.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2003*, issued by the U.S. Department of Education.

D. Encumbrances

An encumbrance system is maintained to account for commitments or assignments resulting from approved purchase orders, work orders and contracts. However, the school district attempts to liquidate all encumbrances at year-end. There were no encumbrances outstanding at fiscal year-end so no balances were reported within committed or assigned fund balances.

E. Assets, liabilities, deferred outflows/inflows, and net position/fund balances

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

The district's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The school district deposits excess funds in the financial institutions selected by the school board. State statutes specify how these depositories are to be selected.

Investments

The school district can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the types described in Section 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the State of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

For accounting purposes, certificates of deposit are classified as investments if they have an original maturity greater than three months when acquired.

Investments for the district are reported at fair market value.

2. Receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e. the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2015

3. Due from Other Governments

Due from other governments represents amounts due from the State of Mississippi and various grants and reimbursements from other governments.

4. Inventories and Prepaid Items

Donated commodities are received from the USDA and are valued at USDA cost. Other inventories are valued at cost (calculated on the first-in, first-out basis). The costs of governmental fund type inventories are reported as expenditures when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and governmental fund financial statements.

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified School Construction Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund. In addition, unspent proceeds from the issuance of long-term debt reported as cash and cash equivalents in a Capital Projects Fund is classified as restricted assets because the funds are to be spent for specific purposes outlined in resolutions approved by the board, bond documentation, etc.

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

Capital acquisition and construction are reflected as expenditures in the Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements.

Depreciation is calculated on the straight-line basis for all assets, except land.

The following schedule details the capitalization thresholds:

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2015

	Capitalization Policy	Estimated Useful Life
Land	\$ 0	0
Buildings	50,000	40 years
Building improvements	25,000	20 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The school district has incurred a deferred outflow which is presented as a deferred outflow from advance refunding of debt. The district has incurred a deferred outflow and inflow from pension liabilities added for GASB 68.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

See Note 16 for further details.

8. Compensated Absences

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. Some employees are allowed personal leave and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

The liability for these compensated absences is recorded as a long-term liability in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, governmental funds report the liability for compensated absences from expendable available financial resources only if the payable has matured, for example, an employee retires.

9. Long-term Liabilities and Bond Discounts/Premiums

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond discounts or premiums and the difference between reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 6 for details.

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2015

10. Pensions

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

11. Fund Balances

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as non-spendable, restricted, committed, assigned or unassigned. Following are descriptions of fund classifications used by the district:

Nonspendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed, or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is a resolution approved by the School Board.

Assigned fund balance includes amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the Superintendent and the Business Manager pursuant to authorization established by the District's approved fund balance policy.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the District's general policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the District's general policy to spend committed resources first, followed by

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2015

assigned amounts, and then unassigned amounts.

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year-end of not less than 10% of general revenues. If the unassigned fund balance at fiscal year-end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

12. New Pronouncements

In June 2012, the GASB issued GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, note disclosure and required supplementary information requirements about pensions also are addressed. This Statement is effective for fiscal years beginning after June 15, 2014.

Note 2 – Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits and investments are imposed by statutes as follows:

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school district's deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interests in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Investment income of less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$70,225,437 and \$3,436,154, respectively. The carrying amount of deposits reported in the government-wide financial statements include amounts reported in

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2015

cash and cash equivalents of \$66,735,399 and a portion of restricted assets in the amount of \$3,490,038 (see Note 4).

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2015, none of the district's bank balance of \$75,843,489 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of the school district's cash with fiscal agents held by financial institutions reported in the governmental funds was \$490,849. The carrying amount of cash with fiscal agents was reported in the government-wide financial statements as a portion of restricted assets (see Note 4).

Investments

As of June 30, 2015, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
U.S. Treasury SLGS Deposit	N/A	10 years	\$ 638,880
Fidelity Investment Bonds	Various	5 to 15 years	1,638,411
Total			<u>\$ 2,277,291</u>

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

Credit Risk. State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The district does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2015, the district did not have any investments to which this would apply.

Concentration of Credit Risk. Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments.

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2015

Note 3 – Inter-fund Receivables, Payables and Transfers

The following is a summary of inter-fund transactions and balances:

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Other governmental funds	\$ 251,546
	Fiduciary funds	30,428
Other governmental funds	Other governmental funds	<u>135</u>
Total		<u><u>\$ 282,109</u></u>

The amounts due to or due from other funds primarily represent amounts loaned between funds for timing differences between revenues and expenditures and cash balances.

B. Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
Other Governmental Funds	General Fund	<u><u>\$ 209,504</u></u>

Sixteenth section principal loans payable

Note: The sixteenth section principal loans payable are not reflected on the Statement of Net Position because these funds were borrowed by the General Fund from the Sixteenth Section Trust Fund (Permanent Trust) in accordance with Section 29-3-113, Miss. Code Ann. (1972). The revenues and expenditures associated with these transactions are reflected on the Statement of Revenues, Expenditures and Changes in Fund Balances.

The following is a schedule by years of the total payments due on this debt:

Year Ending June 30	Principal	Interest	Total
2016	\$ 38,254	\$ 8,454	\$ 46,708
2017	39,812	6,896	46,708
2018	41,435	5,273	46,708
2019	43,123	3,585	46,708
2020	46,880	1,828	48,708
Total	<u><u>\$ 209,504</u></u>	<u><u>\$ 26,036</u></u>	<u><u>\$ 235,540</u></u>

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2015

C. Inter-fund Transfers

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Other governmental funds	\$ 2,788,642
Other governmental funds	General Fund	38,106
	District Construction Fund	47,405
	Other governmental funds	<u>414,266</u>
Total		<u>\$ 3,288,419</u>

Operating transfers were primarily for the following: indirect cost transfers, vocational and special education expenditure transfers, unemployment compensation transfers, and other routine operating transfers.

Note 4 – Restricted Assets

The restricted assets represent the cash and cash equivalents, cash with fiscal agent, and investment balances, totaling \$145,536, \$41,143, and \$1,638,411, respectively, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets represent the cash and cash equivalents and cash with fiscal agent balances, totaling \$1,648,348 and \$435,042, respectively, of the MAEP Limited Obligation Bond Fund. Also, the restricted assets represent the cash with fiscal agent and investment balances, totaling \$14,657 and \$638,880, respectively, of the QSCB Bond Retirement Fund. Restricted assets of cash with fiscal agents in the amount of \$7 are held within the 2012 Refunding Limited Tax Notes. Also included in restricted assets is the cash and cash equivalents balance totaling \$1,431,338 of various capital project funds resulting from unspent proceeds of long-term debt at fiscal year-end.

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2015

Note 5 – Capital Assets

The following is a summary of changes in capital assets for governmental activities:

	Balance 7/1/2014	Increases	Decreases	Completed Construction	Adjustments	Balance 6/30/2015
Governmental Activities:						
<u>Non-depreciable capital assets:</u>						
Land	\$ 7,089,984					\$ 7,089,984
Construction-in-progress	969,835	10,626,578		(2,589,565)	(193,083)	8,813,765
Total non-depreciable capital assets	<u>8,059,819</u>	<u>10,626,578</u>	-	<u>(2,589,565)</u>	<u>(193,083)</u>	<u>15,903,749</u>
<u>Depreciable capital assets:</u>						
Buildings	249,003,909	16,100,000	514,594			264,589,315
Building improvements	4,661,235			2,589,565		7,250,800
Improvements other than buildings	13,409,520	110,431			14,025	13,533,976
Mobile equipment	3,048,345	18,748	7,100			3,059,993
Furniture and equipment	4,879,390	162,125	76,889			4,964,626
Total depreciable capital assets	<u>275,002,399</u>	<u>16,391,304</u>	<u>598,583</u>	<u>2,589,565</u>	<u>14,025</u>	<u>293,398,710</u>
<u>Less accumulated depreciation for:</u>						
Buildings	54,700,456	5,037,060	411,675			59,325,841
Building improvements	444,060	290,032			1,144	735,236
Improvements other than buildings	3,884,129	537,606			(487)	4,421,248
Mobile equipment	2,151,060	150,138	2,556			2,298,642
Furniture and equipment	4,025,693	360,338	66,659		1,339	4,320,711
Total accumulated depreciation	<u>65,205,398</u>	<u>6,375,174</u>	<u>480,890</u>	-	<u>1,996</u>	<u>71,101,678</u>
Total depreciable capital assets, net	<u>209,797,001</u>	<u>10,016,130</u>	<u>117,693</u>	<u>2,589,565</u>	<u>12,029</u>	<u>222,297,032</u>
Governmental activities capital assets, net	\$ <u>217,856,820</u>	\$ <u>20,642,708</u>	\$ <u>117,693</u>	- \$	<u>(181,054)</u>	<u>238,200,781</u>

Adjustments were made to properly present capital assets.

Depreciation expense was charged to the following governmental functions:

Governmental activities:	<u>Amount</u>
Instruction	\$ 5,595,065
Support services	714,301
Non-instructional	<u>65,808</u>
Total depreciation expense - Governmental activities	\$ <u>6,375,174</u>

Construction in progress is composed of:

Governmental Activities:	<u>Spent to June 30, 2015</u>	<u>Remaining Commitment</u>
VJHS Alterations and Additions	\$ 29,376	\$ 582,624
RHS Visitors Field House	-	370,821
MCHS Field Improvements	-	300,616
New Preschool	1,083,823	1,048,367
Mannsdale Upper Elementary	6,740,224	6,248,440
RHS - Track Improvements	960,342	205,639
Total construction in progress	\$ <u>8,813,765</u>	\$ <u>8,756,507</u>

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2015

Construction projects included in governmental activities are funded with proceeds from the issuance of long-term debt and funds that have been transferred from the General Fund to various Capital Project Funds to be used for the renovation and construction of major capital facilities.

Note 6 – Long-term Liabilities

The following is a summary of changes in long-term liabilities and other obligations for governmental activities:

	Balance 7/1/2014	Additions	Reductions	Balance 6/30/2015	Amounts due within one year
A. General obligation bonds payable	\$ 89,480,000	\$	\$ 6,285,000	\$ 83,195,000	\$ 7,075,000
B. Limited obligation bonds payable	4,120,000		815,000	3,305,000	845,000
C. Three mill notes payable	2,065,000		1,095,000	970,000	970,000
D. Qualified school construction bonds payable	2,883,000			2,883,000	-
E. Compensated absences payable	881,055	230,927		1,111,982	55,599
Total	\$ 99,429,055	\$ 230,927	\$ 8,195,000	\$ 91,464,982	\$ 8,945,599

A. General obligation bonds payable

General obligation bonds are direct obligations and pledge the full faith and credit of the school district. General obligation bonds currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. General obligation refunding bonds, Series 2012	2.0%-5.0%	05/22/2012	04/15/2025	\$ 25,600,000	\$ 23,720,000
2. General obligation bonds, Series 2010	2.0%-2.75%	10/15/2010	04/15/2023	29,000,000	20,650,000
3. General obligation bonds, Series 2009	3.0%-3.625%	12/01/2009	12/01/2024	29,000,000	26,200,000
4. General obligation refunding bonds, Series 2008	3.0%-4.0%	12/17/2008	09/01/2018	8,005,000	2,935,000
5. General obligation refunding bonds, Series 2005-A	3.25%-5.0%	04/11/2005	09/01/2019	26,190,000	9,690,000
Total				\$ 117,795,000	\$ 83,195,000

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2015

The following is a schedule by years of the total payments due on this debt:

1. Series 2012 issued on May 22, 2012:

Year Ending June 30	Principal	Interest	Total
2016	\$ 1,895,000	\$ 1,012,650	\$ 2,907,650
2017	1,985,000	936,850	2,921,850
2018	2,095,000	837,600	2,932,600
2019	2,205,000	732,850	2,937,850
2020	2,305,000	644,650	2,949,650
2021 - 2025	13,235,000	1,629,000	14,864,000
Total	<u>\$ 23,720,000</u>	<u>\$ 5,793,600</u>	<u>\$ 29,513,600</u>

This debt will be retired from the 2012 GO Refunding Bond Debt Service Fund (4034).

2. Series 2010 issued on October 15, 2010:

Year Ending June 30	Principal	Interest	Total
2016	\$ 1,200,000	\$ 506,062	\$ 1,706,062
2017	2,000,000	482,062	2,482,062
2018	2,200,000	442,063	2,642,063
2019	2,750,000	395,312	3,145,312
2020	2,250,000	330,000	2,580,000
2021 – 2023	10,250,000	571,875	10,821,875
Total	<u>\$ 20,650,000</u>	<u>\$ 2,727,374</u>	<u>\$ 23,377,374</u>

This debt will be retired from the 2010 \$29M GO Bond Debt Service Fund (4035).

3. Series 2009 issued on December 1, 2009:

Year Ending June 30	Principal	Interest	Total
2016	\$ 1,350,000	\$ 889,500	\$ 2,239,500
2017	1,600,000	845,250	2,445,250
2018	1,750,000	790,625	2,540,625
2019	2,250,000	720,625	2,970,625
2020	2,750,000	633,125	3,383,125
2021 – 2025	14,500,000	1,402,500	15,902,500
Total	<u>\$ 24,200,000</u>	<u>\$ 5,281,625</u>	<u>\$ 29,481,625</u>

This debt will be retired from the 2009 \$29M GO Bond Debt Service Fund (4037).

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2015

4. Series 2008 issued on December 17, 2008:

Year Ending June 30	Principal	Interest	Total
2016	\$ 840,000	\$ 93,320	\$ 933,320
2017	805,000	64,550	869,550
2018	770,000	35,430	805,430
2019	520,000	10,400	530,400
Total	<u>\$ 2,935,000</u>	<u>\$ 203,700</u>	<u>\$ 3,138,700</u>

This debt will be retired from the 2008 Refunding 2001 GO Bond Debt Service Fund (4043).

5. Series 2005-A issued on April 11, 2005:

Year Ending June 30	Principal	Interest	Total
2016	\$ 1,790,000	\$ 430,800	\$ 2,220,800
2017	1,860,000	348,500	2,208,500
2018	1,950,000	253,250	2,203,250
2019	2,075,000	152,625	2,227,625
2020	2,015,000	50,375	2,065,375
Total	<u>\$ 9,690,000</u>	<u>\$ 1,235,550</u>	<u>\$ 10,925,550</u>

This debt will be retired from the 2005-A Refunding 2000 GO Bond Debt Service Fund (4099).

Total general obligation bond payments for all issues:

Year Ending June 30	Principal	Interest	Total
2016	\$ 7,075,000	\$ 2,932,332	\$ 10,007,332
2017	8,250,000	2,677,212	10,927,212
2018	8,765,000	2,358,968	11,123,968
2019	9,800,000	2,011,812	11,811,812
2020	9,320,000	1,658,150	10,978,150
2021 - 2025	39,985,000	3,603,375	43,588,375
Total	<u>\$ 83,195,000</u>	<u>\$ 15,241,849</u>	<u>\$ 98,436,849</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2015, the amount of outstanding bonded indebtedness was equal to 6.8% of property assessments as of October 1, 2014.

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2015

B. Limited obligation bonds payable

Limited obligation bonds are direct obligations and pledge the full faith and credit of the school district. Limited obligation bonds currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement refunding bonds, Series 2007	3.75%	12/1/2007	2/1/2018	\$ 7,460,000	\$ 3,305,000

The following is a schedule by years of the total payments due on this debt:

Year Ending June 30	Principal	Interest	Total
2016	\$ 845,000	\$ 107,759	\$ 952,759
2017	880,000	75,415	955,415
2018	1,580,000	41,852	1,621,852
Total	\$ 3,305,000	\$ 225,026	\$ 3,530,026

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi pursuant to the Mississippi Accountability and Adequate Education Program Act, Sections 37-151-1 through 37-151-7, Miss. Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of the debt limit percentage.

This debt will be retired from the 1998 MAEP Bonded Debt Service Fund (4041).

C. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax refunding notes, Series 2012	2.0%-3.0%	5/22/2012	6/1/2016	\$ 4,165,000	\$ 970,000

The following is a schedule by years of the total payments due on this debt:

Year Ending June 30	Principal	Interest	Total
2016	\$ 970,000	\$ 29,100	\$ 999,100

This debt will be retired from the 2012 Refunding Limited Tax Note Debt Service Fund (4022).

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2015

D. Qualified school construction bonds payable

As more fully explained in Note 14, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
\$3,000,000 QSCB payable	0.40%	1/14/2010	9/15/2024	\$ 3,000,000	\$ 2,883,000

E. Compensated absences payable

As more fully explained in Note 1(E)(8), compensated absences payable is adjusted on an annual basis as required by Section 37-7-307(5), Miss. Code Ann. (1972). Compensated absences will be paid from the fund from which the employees' salaries were paid.

Note 7 – Other Commitments

Commitments under construction contracts are described in Note 5.

Operating leases:

The school district has several operating leases for copiers

Lease expenditures for the year ended June 30, 2015, amounted to \$188,989.

Future lease payments for these leases are as follows:

Year Ending June 30	Amount
2016	\$ 193,299
2017	186,955
2018	119,684
2019	42,288
2020	1,200
Total	<u>\$ 543,426</u>

Contracts:

The school district entered into a contract dated July 1, 2013 with First Student, Inc. to provide transportation services for the district. The term of this agreement begins July 1, 2013 and continues through June 30, 2017. The agreement may be extended by mutual written agreement for an additional four (4) year period, with the negotiation of new economic terms occurring on or before February 1 of the preceding school year. The contract is based on an estimated school year comprised of a minimum 180 days and 127 routes per day using various rates as stated in the contract based on the type and length of the routes. Transportation expenditures for student transportation under this contract for the year ended June 30, 2015, totaled \$6,162,248 for route service. An additional amount of \$191,773 was paid to First Student, Inc. for extra transportation services for field trips and athletic events and special programs not included in the above contract. Minimum future payments to be made under the contract are estimated as follows:

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2015

Year Ending June 30		Amount
2016	\$	6,325,062
2017		6,492,107
Total	\$	<u>12,817,169</u>

Note 8 – Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2015 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2015, 2014 and 2013 were \$9,746,047, \$9,094,102 and \$7,796,146, respectively, which equaled the required contributions for each year.

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2015

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

At June 30, 2015, the school district reported a liability of \$114,645,371 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2014, the school district's proportion was .944503% percent.

For the year ended June 30, 2015, the District recognized pension expense of \$9,580,218. At June 30, 2015 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual Experience	\$ 1,788,434	\$
Net difference between projected and actual earnings on pension plan investments		16,618,689
Difference between net impact of entries and Calculated balance of net pension liability	5,047,738	
District contributions subsequent to the measurement date	9,746,047	
Total	\$ 16,582,218	\$ 16,618,689

\$9,746,047 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	\$	(1,695,618)
2017		(1,695,618)
2018		(2,236,609)
2019		(4,154,672)
Total	\$	(9,782,517)

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

Inflation	3.5 percent
Salary increases	4.25 – 19.50 percent, including inflation
Investment rate of return	8.00 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2025, set forward two years for males.

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2015

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2012. The experience report is dated June 12, 2013.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Broad	34 %	5.20 %
International Equity	19	5.00
Emerging Markets Equity	8	5.45
Fixed Income	20	0.25
Real Assets	10	4.00
Private Equity	8	6.15
Cash	1	(0.50)
Total	<u>100 %</u>	

Discount rate. The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the 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 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 percent) or 1-percentage-point higher (9 percent) than the current rate:

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
District's proportionate share of the net pension liability	\$ 156,295,828	\$ 114,645,370	\$ 79,902,696

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

Note 9 – Sixteenth Section Lands

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2015

payments are from existing leases and do not anticipate renewals or new leases.

Year Ending June 30	Amount
2016	\$ 672,315
2017	667,959
2018	376,510
2019	335,658
2020	551,683
2021 - 2025	2,761,257
2026 - 2030	2,761,257
2031 - 2035	2,754,957
2036- 2040	2,750,757
Thereafter	2,938,980
Total	<u>\$ 16,571,333</u>

Note 10 – Prior Period Adjustments

A summary of significant Net Position/Fund Balance adjustments is as follows:

Exhibit B - Statement of Activities

Explanation	Amount
1. Implementation of GASB 68 and 71:	\$
Net pension liability	(123,941,772)
Deferred outflows - contributions made during FY 2014	9,094,102
Total prior period adjustment related to GASB 68 and 71	(114,847,670)
2. Prior period adjustment for correction to assets	(181,054)
3. Correction of a prior period expenditure	63,107
Total	<u>\$ (114,965,617)</u>

Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances

Fund	Explanation	Amount
General Fund	Correction of a prior period expenditure	\$ 60,100
Other governmental funds	Correction of a prior period expenditure	3,007
Total		<u>\$ 63,107</u>

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2015

Note 11 – Fund Reclassification

A fund reclassification in the amount of \$14,507,160 was needed to report Sixteenth Section Interest Funds, previously reported as Special Revenue Funds in prior years, as General Funds for fiscal year ended June 30, 2015.

Note 12 – Contingencies

Federal Grants – The school district has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowances resulting from the grantor audit may become a liability of the school district.

Litigation – The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the school district with respect to the various proceedings. However, the school district's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the school district.

Note 13 – Risk Management

The school 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. The district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 14 – Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs. While Qualified School Construction Bonds (QSCBs) are intended to be interest free to a borrower, the ARRA legislation allows a lender to charge supplemental interest, and such supplemental interest is the responsibility of the school district.

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB.

The school district makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2015 was \$658,707, including accrued income of \$5,170. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2015

Year Ending June 30		Amount
2016	\$	231,300
2017		231,300
2018		231,300
2019		231,300
2020		231,300
2021 - 2025		1,156,477
Total	\$	<u>2,312,977</u>

Note 15 - Insurance loss recoveries

The Madison County School District received \$2,822 in insurance loss recoveries related to three stolen/loss MacBooks during the 2014-2015 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and allocated to the support services expense function.

Note 16 – Effect of Deferred Amounts on Net Position

The Net Investment in Capital Assets net position amount of \$148,584,111 includes the effect of deferring the recognition of expenditures resulting from a deferred outflow from advance refunding of school district debt. The \$1,816,031 balance of the deferred outflow of resources at June 30, 2015 will be recognized as an expense and decrease the net investment in capital assets net position over the next 10 years.

The unrestricted net position amount of (\$67,952,917) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$16,582,219 balance of deferred outflow of resources at June 30, 2015 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$67,952,917) includes the effect of deferring the recognition of revenues resulting from a deferred inflow from pensions. The \$16,618,689 balance of deferred inflow of resources at June 30, 2015 will be recognized as revenue and will increase the unrestricted net pension over the next 4 years.

Note 17 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Madison County School District evaluated the activity of the district through the date the financial statements were available to be issued, and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

MADISON COUNTY SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 50,149,535	\$ 52,474,451	\$ 52,474,451	\$ 2,324,916	\$ -
State sources	51,067,951	51,616,773	51,616,773	548,822	-
Federal sources	-	377,751	377,751	377,751	-
Sixteenth section sources	-	1,343,436	1,343,436	1,343,436	-
Total Revenues	101,217,486	105,812,411	105,812,411	4,594,925	-
Expenditures:					
Instruction	58,328,548	60,038,558	60,025,958	(1,710,010)	12,600
Support services	39,300,864	41,505,223	41,393,796	(2,204,359)	111,427
Sixteenth section	-	174,962	174,962	(174,962)	-
Facilities acquisition and construction	-	11,167,050	5,167,050	(11,167,050)	6,000,000
Debt service:					
Interest	-	9,952	9,952	(9,952)	-
Total Expenditures	97,629,412	112,895,745	106,771,718	(15,266,333)	6,124,027
Excess (Deficiency) of Revenues over (under) Expenditures	3,588,074	(7,083,334)	(959,307)	(10,671,408)	6,124,027
Other Financing Sources (Uses):					
Insurance recovery	-	2,822	2,822	2,822	-
Sale of other property	-	-	1,300,000	-	1,300,000
Operating transfers in	3,839,494	5,540,300	38,106	1,700,806	(5,502,194)
Other financing sources	-	6,001,805	1,805	6,001,805	(6,000,000)
Operating transfers out	(7,400,886)	(8,290,836)	(2,788,642)	(889,950)	5,502,194
Total Other Financing Sources (Uses)	(3,561,392)	3,254,091	(1,445,909)	6,815,483	(4,700,000)
Net Change in Fund Balances	26,682	(3,829,243)	(2,405,216)	(3,855,925)	1,424,027
Fund Balances:					
July 1, 2014, as previously reported	36,000,000	46,003,940	31,496,780	10,003,940	(14,507,160)
Fund reclassification	-	-	14,507,160	-	14,507,160
Prior period adjustments	-	60,100	60,100	60,100	-
July 1, 2014, as restated	36,000,000	46,064,040	46,064,040	10,064,040	-
June 30, 2015	\$ 36,026,682	\$ 42,234,797	\$ 43,658,824	\$ 6,208,115	\$ 1,424,027

MADISON COUNTY SCHOOL DISTRICT

Required Supplementary Information

**Budgetary Comparison Schedule
EEF Building and Buses Fund
For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ -	\$ 5,863	\$ 5,863	\$ 5,863	\$ -
State sources	383,317	384,512	384,512	1,195	-
Total Revenues	383,317	390,375	390,375	7,058	-
Expenditures:					
Support services	-	384,043	384,043	(384,043)	-
Facilities acquisition and construction	374,604	1,083,823	1,083,823	(709,219)	-
Total Expenditures	374,604	1,467,866	1,467,866	(1,093,262)	-
Excess (Deficiency) of Revenues over (under) Expenditures	8,713	(1,077,491)	(1,077,491)	(1,086,204)	-
Net Change in Fund Balances	8,713	(1,077,491)	(1,077,491)	(1,086,204)	-
Fund Balances:					
July 1, 2014	2,745,218	2,745,218	2,745,218	-	-
June 30, 2015	\$ 2,753,931	\$ 1,667,727	\$ 1,667,727	\$ (1,086,204)	\$ -

Madison County School District

Schedule of the District's Proportionate Share of the Net Pension Liability

PERS

Last 10 Fiscal Years*

	<u>2015</u>
District's proportion of the net pension liability (asset)	\$ 114,645,371
District's proportionate share of the net pension liability (asset)	0.944503%
District's covered - employee payroll	57,740,330
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	198.553370%
Plan fiduciary net position as a percentage of the total pension liability	67.207687%

* The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the year prior to the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

Madison County School District
 Schedule of District Contributions
 PERS
 Last 10 Fiscal Years*

	2015
Contractually required contribution	\$ <u>9,746,047</u>
Contributions in relation to the contractually required contribution	9,746,047
Contribution deficiency (excess)	\$ <u><u>-</u></u>
District's covered - employee payroll	61,879,663
Contributions as a percentage of covered - employee payroll	15.75%

The notes to the required supplementary information are an integral part of this schedule.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Madison County School District

Notes to the Required Supplementary Information
For the Year Ended June 30, 2015

Budgetary Comparison Schedules

(1) Basis of Presentation

The Budgetary Comparison Schedules present the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, variances between the original budget and the final budget, and variances between the final budget and the actual data.

(2) Budget Amendments and Revisions

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before October 15. A budgetary comparison is presented for the General Fund and each major Special Revenue Fund consistent with accounting principles generally accepted in the United States of America.

Pension Schedules

(1) Changes of benefit terms

None

(2) Changes of assumptions

None

SUPPLEMENTARY INFORMATION

Madison County School District
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2015

Schedule 1

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U. S. DEPARTMENT OF AGRICULTURE</u>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 456,069
National School Lunch Program	10.555	2,636,018
Total Child Nutrition Cluster		<u>3,092,087</u>
Total passed-through Mississippi Department of Education		<u>3,092,087</u>
Total U. S. Department of Agriculture		<u><u>3,092,087</u></u>
<u>U.S. DEPARTMENT OF DEFENSE</u>		
Direct Program:		
Reserve Officer's Training Corps	12.xxx	144,642
Total U.S. Department of Defense		<u>144,642</u>
<u>FEDERAL COMMUNICATIONS COMMISSION</u>		
Administered through the Universal Service Administrative Company:		
The Schools and Libraries Program of the Universal Service Fund	32.xxx	343,721
Total Federal Communications Commission		<u>343,721</u>
<u>U. S. DEPARTMENT OF EDUCATION</u>		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	1,009,380
Career and Technical Education - Basic Grant to States	84.048	53,436
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	2,086
Twenty-First Century Community Learning Centers	84.287	290,086
English Language Acquisitions Grants	84.365	39,613
Improving Teacher Quality - State Grants	84.367	386,482
Subtotal		<u>1,781,083</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	2,399,143
Special Education - Preschool Grants	84.173	76,717
Total Special Education Cluster		<u>2,475,860</u>
Total passed-through the Mississippi Department of Education		<u>4,256,943</u>
Total U. S. Department of Education		<u><u>4,256,943</u></u>
TOTAL FOR ALL FEDERAL AWARDS		<u><u>\$ 7,837,393</u></u>

Notes to Schedule

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.

Madison County School District

Schedule 2

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
 For the Year Ended June 30, 2015

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 83,304,154	69,753,921	1,785,196	6,736,178	5,028,859
Other	<u>65,592,476</u>	<u>11,831,210</u>	<u>813,921</u>	<u>272,523</u>	<u>52,674,822</u>
Total	\$ <u>148,896,630</u>	<u>81,585,131</u>	<u>2,599,117</u>	<u>7,008,701</u>	<u>57,703,681</u>
Total number of students *	<u>12,794</u>				
Cost per student	\$ <u>11,638</u>	<u>6,377</u>	<u>203</u>	<u>548</u>	<u>4,510</u>

For purpose of this schedule, the following columnar descriptions are applicable:

Instruction and Other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type.

General Administration - includes expenditures for the following functions: Support Services - General Administration and Support Services - Business.

School Administration - includes expenditures for the following function: Support Services - School Administration.

Other - includes all expenditures functions not included in Instruction or Administration Categories.

* includes the number of students reported on the ADA report submission for month 9, which is the final submission for the fiscal year

OTHER INFORMATION

MADISON COUNTY SCHOOL DISTRICT

"UNAUDITED"

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

	2015	2014*	2013*	2012*
Revenues:				
Local sources	\$ 52,474,451	48,235,258	46,400,667	42,571,545
State sources	51,616,773	50,294,425	47,255,353	44,681,976
Federal sources	377,751	27,796	216,797	222,530
Sixteenth section sources	1,343,436	-	-	-
Total Revenues	<u>105,812,411</u>	<u>98,557,479</u>	<u>93,872,817</u>	<u>87,476,051</u>
Expenditures:				
Instruction	60,025,958	55,561,610	52,185,441	49,393,763
Support services	41,393,796	36,575,310	33,058,180	31,078,737
Sixteenth section	174,962	-	-	-
Facilities acquisition and construction	5,167,050	95,439	39,216	-
Debt service:				
Interest	9,952	11,390	10,285	-
Total Expenditures	<u>106,771,718</u>	<u>92,243,749</u>	<u>85,293,122</u>	<u>80,472,500</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(959,307)</u>	<u>6,313,730</u>	<u>8,579,695</u>	<u>7,003,551</u>
Other Financing Sources (Uses):				
Insurance recovery	2,822	811	8,998	4,000
Sale of other property	1,300,000	-	-	14,401
Operating transfers in	38,106	8,568	12,467	-
Other financing sources	1,805	30	821	-
Operating transfers out	(2,788,642)	(2,708,896)	(12,229,196)	(1,191,618)
Other financing uses	-	-	-	(210)
Total Other Financing Sources (Uses)	<u>(1,445,909)</u>	<u>(2,699,487)</u>	<u>(12,206,910)</u>	<u>(1,173,427)</u>
Net Change in Fund Balances	<u>(2,405,216)</u>	<u>3,614,243</u>	<u>(3,627,215)</u>	<u>5,830,124</u>
Fund Balances:				
July 1, Beginning, as previously reported	31,496,780	27,882,537	31,511,266	25,681,142
Fund reclassification	14,507,160	-	-	-
Prior period adjustment	60,100	-	(1,514)	-
July 1, Beginning, as restated	<u>46,064,040</u>	<u>27,882,537</u>	<u>31,509,752</u>	<u>25,681,142</u>
June 30,	<u>\$ 43,658,824</u>	<u>31,496,780</u>	<u>27,882,537</u>	<u>31,511,266</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

MADISON COUNTY SCHOOL DISTRICT

"UNAUDITED"

Statement of Revenues, Expenditures and Changes in Fund Balances
 All Governmental Funds
 Last Four Years

	2015	2014*	2013*	2012*
Revenues:				
Local sources	\$ 67,317,441	65,863,515	63,666,313	61,354,430
State sources	54,732,849	53,410,551	50,148,794	47,269,085
Federal sources	7,847,151	7,989,729	8,136,759	7,879,381
Sixteenth section sources	1,484,641	1,382,266	1,504,261	1,054,648
Total Revenues	<u>131,382,082</u>	<u>128,646,061</u>	<u>123,456,127</u>	<u>117,557,544</u>
Expenditures:				
Instruction	66,401,084	62,807,848	59,412,916	54,459,181
Support services	44,954,803	39,714,688	35,984,935	38,146,613
Noninstructional services	5,020,582	5,281,093	5,139,680	4,839,707
Sixteenth section	238,266	248,361	225,333	212,630
Facilities acquisition and construction	20,726,578	4,287,099	4,917,316	8,266,601
Debt service:				
Principal	8,195,000	11,380,000	11,327,000	10,070,000
Interest	3,346,811	3,708,737	3,915,394	4,904,295
Debt issuance cost	-	-	-	45,081
Other	13,506	18,941	111,510	18,990
Total Expenditures	<u>148,896,630</u>	<u>127,446,767</u>	<u>121,034,084</u>	<u>120,963,098</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(17,514,548)</u>	<u>1,199,294</u>	<u>2,422,043</u>	<u>(3,405,554)</u>
Other Financing Sources (Uses):				
Insurance recovery	2,822	811	8,998	4,000
Refunding bonds issued	-	-	-	29,765,000
Premiums on refunding bonds and notes	-	-	-	3,638,765
Payment to refunded bond escrow agent	-	-	-	(33,250,747)
Payments held by escrow agent	231,863	231,751	60,300	60,150
Payment to QSCB debt escrow agent	(231,863)	(231,751)	(60,300)	(60,150)
Sale of other property	1,300,000	-	-	14,401
Operating transfers in	3,288,419	2,976,461	12,499,142	5,232,112
Other financing sources	1,823	30	-	-
Operating transfers out	(3,288,419)	(2,976,461)	(12,499,142)	(5,232,112)
Other financing uses	-	-	821	(210)
Total Other Financing Sources (Uses)	<u>1,304,645</u>	<u>841</u>	<u>9,819</u>	<u>171,209</u>
Net Change in Fund Balances	<u>(16,209,903)</u>	<u>1,200,135</u>	<u>2,431,862</u>	<u>(3,234,345)</u>
Fund Balances:				
July 1, Beginning, as previously reported	92,288,378	91,077,964	88,627,380	91,870,966
Prior period adjustment	63,107	4,094	-	-
July 1, Beginning, as restated	<u>92,351,485</u>	<u>91,082,058</u>	<u>88,627,380</u>	<u>91,870,966</u>
Increase (Decrease) in inventory	26,699	6,185	18,722	(9,241)
June 30,	<u>\$ 76,168,281</u>	<u>92,288,378</u>	<u>91,077,964</u>	<u>88,627,380</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Madison County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the 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, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Madison County School District's basic financial statements, and have issued our report thereon dated November 24, 2015.

Internal Control Over Financial Reporting

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

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

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.

1929 SPILLWAY ROAD
BRANDON, MISSISSIPPI 39047
TELEPHONE 601-992-5292 FAX 601-992-2033

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Madison County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
November 24, 2015

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Madison County School District

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Madison County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the school district's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the school district's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the Madison County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Madison County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program 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 the school district's internal control over compliance.

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
November 24, 2015

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
STATE LAWS AND REGULATIONS

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
STATE LAWS AND REGULATIONS

Superintendent and School Board
Madison County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Madison County School District as of and for the year ended June 30, 2015, which collectively comprise the Madison County School District's basic financial statements and have issued our report thereon dated November 24, 2015. 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.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to ensure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$0 of classroom supply funds carried over from previous years.

Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the auditor shall test to ensure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district."

The results of our procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements did not disclose any instances of noncompliance with other state laws and regulations.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies, the Office of the State Auditor and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
November 24, 2015

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Madison County School District

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2015

Section I: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued: Unmodified.
2. Internal control over financial reporting:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified? None reported.
3. Noncompliance material to financial statements noted? No.

Federal Awards:

4. Internal control over major programs:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified? None reported.
5. Type of auditor's report issued on compliance for major programs: Unmodified.
6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? No.
7. Identification of major program:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553 & 10.555	Child Nutrition Cluster
32.xxx	The Schools and Libraries Program of the Universal Service Fund
84.010	Title I Grants to Local Educational Agencies
84.367	Improving Teacher Quality - State Grants

8. Dollar threshold used to distinguish between type A and type B programs: \$300,000.
9. Auditee qualified as low-risk auditee? Yes.

Section II: Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

Section III: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to the federal awards.