

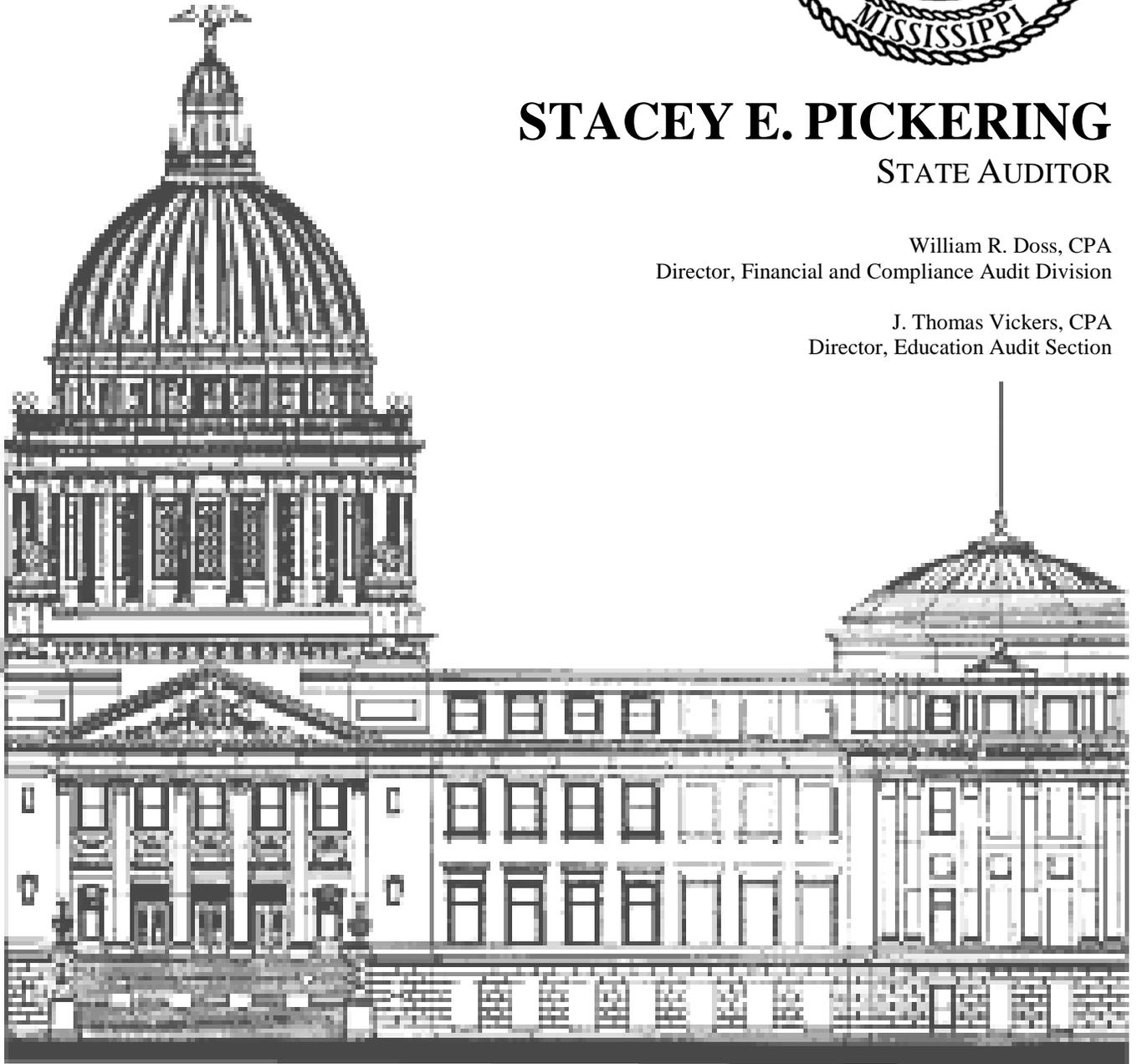
MADISON COUNTY SCHOOL DISTRICT
Audited Financial Statements
For the Year Ended June 30, 2009



STACEY E. PICKERING
STATE AUDITOR

William R. Doss, CPA
Director, Financial and Compliance Audit Division

J. Thomas Vickers, CPA
Director, Education Audit Section



A Report from the Education Audit Section

www.osa.state.ms.us

*The Office of the State Auditor does not discriminate on the basis of
race, religion, national origin, sex, age or disability*



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

September 15, 2010

Members of the Madison County School Board
Madison County School District

Dear Board Members:

I am pleased to submit to you the 2009 financial and compliance audit report for Madison County School District. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed 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.

I appreciate the cooperation and courtesy extended by the Superintendent and other employees of Madison County School District throughout the audit. Thank you for working to move Mississippi forward by serving as a board member for the Madison County School District. If I or this office can be of any further assistance, please contact me or Tommy Vickers of my staff at (601) 576-2666.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering". The signature is fluid and cursive, with a large initial "S" and "P".

Stacey E. Pickering
State Auditor

MADISON COUNTY SCHOOL DISTRICT

TABLE OF CONTENTS

FINANCIAL AUDIT REPORT 1
 Independent Auditor’s Report on the Basic Financial Statements and Supplemental Information 3

MANAGEMENT’S DISCUSSION AND ANALYSIS 5

FINANCIAL STATEMENTS 15
 Statement of Net Assets 16
 Statement of Activities 17
 Balance Sheet – Governmental Funds 18
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets 19
 Statement of Revenues, Expenditures and Changes in Fund Balances –
 Governmental Funds 20
 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures
 and Changes in Fund Balances to the Statement of Activities 21
 Statement of Fiduciary Assets and Liabilities 22
 Notes to the Financial Statements 25

REQUIRED SUPPLEMENTAL INFORMATION 49
 Budgetary Comparison Schedule - General Fund 50
 Budgetary Comparison Schedule – Sixteenth Section Interest Fund 51
 Notes to the Required Supplemental Information 53

SUPPLEMENTAL INFORMATION 55
 Schedule of Expenditures of Federal Awards 55
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds 56

OTHER SUPPLEMENTAL INFORMATION 59
 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 CONTROLS AND COMPLIANCE 63
 Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance
 and Other Matters Based on an Audit of the Financial Statements Performed in Accordance
 with Government Accounting Standards 65
 Independent Auditor’s Report on Compliance with Requirements Applicable to Each Major
 Federal Program and Internal Control over Compliance in Accordance with OMB Circular A-133 67

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS 69
 Independent Auditor’s Report on Compliance with State Laws and Regulations 71

SCHEDULE OF FINDINGS AND QUESTIONED COSTS 73

MADISON COUNTY SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

MADISON COUNTY SCHOOL DISTRICT

(This page left blank intentionally.)



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

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

Superintendent and School Board
Madison County School District

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, 2009, which collectively comprise the Madison County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Madison County School District's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2009, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2010, on our consideration of the Madison County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Budgetary Comparison Schedules and corresponding notes are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

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 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The other supplemental 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, is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

A handwritten signature in black ink that reads "Will R. Dooss". The signature is written in a cursive style with a long horizontal stroke at the end.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

September 15, 2010

MADISON COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

MADISON COUNTY SCHOOL DISTRICT

(This page left blank intentionally.)

MADISON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009

The discussion and analysis of Madison County School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2009. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this District's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the District's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

FINANCIAL HIGHLIGHTS

- Total net assets for 2009 increased \$18,034,630, including a prior period adjustment of \$182,647, which represents a 15.90% increase from fiscal year 2008. This increase in net assets is primarily due to the following: 1) capital outlays during the fiscal year were not reported as expenses in the Statement of Activities but were capitalized on the Statement of Net Assets and 2) repayment of debt principal during the fiscal year was not reported as an expense in the Statement of Activities but as a reduction of long-term liabilities on the Statement of Net Assets. Total net assets for 2008 increased \$19,311,713, which represents a 20.52% increase from fiscal year 2007.
- General revenues amounted to \$99,345,205 and \$97,552,976, or 89.74% and 89.98% of all revenues for fiscal years 2009 and 2008, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$11,361,737, or 10.26% of total revenues for 2009, and \$10,860,425, or 10.02% of total revenues for 2008.
- The District had \$92,854,959 and \$89,101,688 in expenses for fiscal years 2009 and 2008; only \$11,361,737 for 2009 and \$10,860,425 for 2008 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$99,345,205 for 2009 and \$97,552,976 for 2008 were adequate to provide for these programs.
- Among major funds, the General Fund had \$83,647,361 in revenues and \$73,155,606 in expenditures for 2009, and \$81,272,855 in revenues and \$70,451,704 in expenditures in 2008. The General Fund's fund balance decreased by \$724,866 from 2008 to 2009, including a prior period adjustment of \$182,647, and increased by \$2,304,500 from 2007 to 2008.
- Capital assets, net of accumulated depreciation, increased by \$17,669,049 for 2009 and increased by \$4,518,622 for 2008. The increase for 2009 was due primarily to the completion of Mannsdale Elementary School and various other improvements during the fiscal year, the continued construction of the new Gluckstadt Middle School, and the purchase of new school buses and various other items of mobile equipment and furniture and equipment.
- Long-term debt decreased by \$8,633,214 for 2009 and decreased by \$7,125,822 for 2008. This decrease was due to the principal payments on outstanding long-term debt. In addition, the liability for compensated absences increased by \$14,130 for 2009 and increased by \$19,860 for 2008.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

MADISON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009

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

The Statement of Activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets 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 years.

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 and interest and other expenses 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. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's current financing requirements. Governmental Funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash. The Governmental Funds Statements provide a detailed short-term view of the School District's operations.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. The governmental funds' balance sheet is reconciled to the Statement of Net Assets, 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 fund's balance sheet and in the governmental funds' Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All other 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. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

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.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information concerning the District's budget process.

The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each major special revenue fund.

MADISON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009

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.

Also, included in the other supplemental information section are 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$131,471,845 as of June 30, 2009.

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 assets at June 30, 2009 and June 30, 2008.

**Table 1
Condensed Statement of Net Assets**

	June 30, 2009	June 30, 2008	Percentage Change
Current assets	\$ 53,061,375	65,060,087	(18.44) %
Restricted assets	5,173,632	4,857,314	6.51 %
Capital assets, net	173,192,583	155,523,534	11.36 %
Total Assets	231,427,590	225,440,935	2.66 %
Current liabilities	3,274,217	6,703,108	(51.15) %
Long-term debt outstanding	96,681,528	105,300,612	(8.19) %
Total Liabilities	99,955,745	112,003,720	(10.76) %
Net assets:			
Invested in capital assets, net of related debt	78,729,362	52,679,594	49.45 %
Restricted	32,215,046	45,690,291	(29.49) %
Unrestricted	20,527,437	15,067,330	36.24 %
Total Net Assets	\$ 131,471,845	113,437,215	15.90 %

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

- Increase in net capital assets in the amount of \$17,669,049.
- The principal retirement and refunding of \$16,638,214 of long-term debt.

Changes in net assets. The District's total revenues for the fiscal years ended June 30, 2009 and June 30, 2008 were \$110,706,942 and \$108,413,401, respectively. The total cost of all programs and services was \$92,854,959 for 2009 and \$89,101,688 for 2008. Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2009 and June 30, 2008.

MADISON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009

Table 2
Changes in Net Assets

	Year Ended June 30, 2009	Year Ended June 30, 2008	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 3,673,607	3,418,467	7.46 %
Operating grants and contributions	7,688,130	7,441,958	3.31 %
General revenues:			
Property taxes	50,286,311	48,321,298	4.07 %
Grants and contributions not restricted	45,762,620	44,844,349	2.05 %
Investment earnings	2,129,101	2,708,228	(21.38) %
Sixteenth section sources	662,770	1,019,756	(35.01) %
Other	504,403	659,345	(23.50) %
Total Revenues	<u>110,706,942</u>	<u>108,413,401</u>	2.12 %
Expenses:			
Instruction	54,499,800	52,597,128	3.62 %
Support services	29,616,422	27,949,054	5.97 %
Non-instructional	3,808,325	3,626,456	5.02 %
Sixteenth section	529,202	175,165	202.12 %
Interest and other expenses on long-term liabilities	4,401,210	4,753,885	(7.42) %
Total Expenses	<u>92,854,959</u>	<u>89,101,688</u>	4.21 %
Increase in net assets	<u>17,851,983</u>	<u>19,311,713</u>	(7.56) %
Net Assets, July 1	113,437,215	94,125,502	20.52 %
Prior Period Adjustment	<u>182,647</u>	-	
Net Assets Restated, July 1	<u>113,619,862</u>	<u>94,125,502</u>	20.71 %
Net Assets, June 30	<u>\$ 131,471,845</u>	<u>113,437,215</u>	15.90 %

Governmental activities. The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section, and interest and other expenses 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 shows the financial burden that was placed on the State and District's taxpayers by each of these functions.

MADISON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2009	2008	
Instruction	\$ 54,499,800	52,597,128	3.62 %
Support services	29,616,422	27,949,054	5.97 %
Non-instructional	3,808,325	3,626,456	5.02 %
Sixteenth section	529,202	175,165	202.12 %
Interest and other expenses on long-term liabilities	4,401,210	4,753,885	(7.42) %
Total Net Expense	\$ 92,854,959	89,101,688	4.21 %

	Total (Expense) Revenue		Percentage Change
	2009	2008	
Instruction	\$ (49,353,285)	(47,758,624)	(3.34) %
Support services	(27,496,775)	(25,859,098)	(6.33) %
Non-instructional	286,596	300,763	(4.71) %
Sixteenth section	(528,548)	(170,419)	(210.15) %
Interest and other expenses on long-term liabilities	(4,401,210)	(4,753,885)	7.42 %
Total Net (Expense) Revenue	\$ (81,493,222)	(78,241,263)	(4.16) %

- Net cost of governmental activities, (\$81,493,222 and \$78,241,263) was financed by general revenue, which is made up of primarily property taxes of (\$50,286,311 for 2009 and \$48,321,298 for 2008) and state and federal revenues of (\$45,762,620 for 2009 and \$44,844,349 for 2008). In addition, there was \$662,770 and \$1,019,756 in Sixteenth Section sources for 2009 and 2008, respectively.
- Investment earnings accounted for \$2,129,101 for 2009 and \$2,708,228 for 2008.

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.

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, unreserved 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 \$55,465,724, a decrease of \$8,676,857, which includes a prior period adjustment of \$182,647 and a decrease in inventory of \$22,167. The decrease in fund balance is due primarily to expenditures incurred during the fiscal year related to the completion of the Mannsdale Elementary School and various other improvements to school facilities and the continued construction of the new Gluckstadt Middle School. \$32,838,136 or 59.20% of the fund balance represents unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$22,627,588 or 40.80% is reserved or designated to indicate that it is not available for spending because it has already been committed. This portion of the fund balance is reserved for advances, inventory, prepaid items, capital projects, debt service, unemployment benefits, forestry improvement purposes and permanent fund purposes.

MADISON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$724,866, including a prior period adjustment of \$182,647. There was also a transfer of \$10,000,000 to the 2007 Construction Fund. The fund balance of Other Governmental Funds showed an increase in the amount of \$935,896, including a decrease in the reserve for inventory of \$22,167. The increases (decreases) in the fund balance for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Sixteenth Section Interest Fund	\$ 669,547
2005 General Construction Fund	(11,885,416)
2007 Construction Fund	\$ 2,327,982

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 funds is provided in this report as required supplemental information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2009, the District's total capital assets were \$213,351,662, including land, school buildings, building improvements, buses, other school vehicles and furniture and equipment. This amount represents a gross increase of \$21,506,270 from 2008 due primarily to the completion of Mannsdale Elementary School and other school improvements during the fiscal year, the continued construction of the new Gluckstadt Middle School and the purchase of new school buses and various other items of mobile equipment and furniture and equipment. Total accumulated depreciation as of June 30, 2009, was \$40,159,079, and total depreciation expense for the year was \$3,934,733, resulting in total net capital assets of \$173,192,583.

Table 4
Capital Assets, Net of Depreciation

	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>Percentage</u> <u>Change</u>
Land	\$ 6,722,267	6,722,267	0.00 %
Construction in Progress	15,079,163	7,467,220	101.94 %
Buildings	145,284,464	136,653,292	6.32 %
Building improvements	21,878	23,867	(8.33) %
Improvements other than buildings	4,481,611	3,584,175	25.04 %
Mobile equipment	830,168	369,711	124.55 %
Furniture and equipment	773,032	703,002	9.96 %
Total	<u>\$ 173,192,583</u>	<u>155,523,534</u>	11.36 %

MADISON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009

Debt Administration. At June 30, 2009, the District had \$96,681,528 in long-term debt outstanding, of which \$11,054,305 is due within one year. The liability for compensated absences at June 30, 2009 was \$495,564, an increase of \$14,130 from the prior year.

The District maintains an AA- bond rating.

**Table 5
Outstanding Long-Term Debt**

	June 30, 2009	June 30, 2008	Percentage Change
General obligation bonds payable	\$ 75,695,000	82,000,000	(7.69) %
Limited obligation bonds payable	7,460,000	8,030,000	(7.10) %
Three mill notes payable	9,900,000	11,125,000	(11.01) %
Shortfall notes payable	1,130,964	1,664,178	(32.04) %
Qualified zone academy bonds payable	2,000,000	2,000,000	0.00 %
Compensated absences payable	495,564	481,434	2.93 %
Total	\$ 96,681,528	105,300,612	(8.19) %

Additional information on the District's long-term debt can be found 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.

Enrollment for the 2008-2009 year decreased by 2 % to 10,949 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Madison County School District, P. O. Box 159, Flora, MS 39071.

MADISON COUNTY SCHOOL DISTRICT

(This page left blank intentionally.)

MADISON COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS

MADISON COUNTY SCHOOL DISTRICT

(This page left blank intentionally.)

MADISON COUNTY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2009

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 46,442,741
Cash with fiscal agents	9,950
Investments	3,490,848
Due from other governments	2,726,999
Accrued interest receivable	44,965
Other receivables, net	115,114
Inventories	22,467
Prepaid items	3,855
Deferred charges, debt issuance costs	204,436
Restricted assets	5,173,632
Capital assets, non-depreciable:	
Land	6,722,267
Construction in progress	15,079,163
Capital assets, net of accumulated depreciation:	
Buildings	145,284,464
Building improvements	21,878
Improvements other than buildings	4,481,611
Mobile equipment	830,168
Furniture and equipment	773,032
	<hr/>
Total Assets	<u>231,427,590</u>
Liabilities	
Accounts payable and accrued liabilities	2,513,632
Due to other governments	31,915
Unearned revenue	19,300
Interest payable on long-term liabilities	1,025,924
Deferred charges on refunding debt	(316,554)
Long-term liabilities, due within one year	
Capital related liabilities	10,480,000
Non-capital related liabilities	574,305
Long-term liabilities, due beyond one year	
Capital related liabilities	84,575,000
Non-capital related liabilities	1,052,223
	<hr/>
Total Liabilities	<u>99,955,745</u>
Net Assets	
Invested in capital assets, net of related debt	78,729,362
Restricted net assets:	
Expendable:	
School-based activities	10,710,493
Debt service	16,320,430
Capital improvements	2,945,590
Forestry improvements	51,290
Unemployment benefits	197,003
Non-expendable:	
Sixteenth section	1,990,240
Unrestricted	20,527,437
	<hr/>
Total Net Assets	<u>\$ 131,471,845</u>

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

MADISON COUNTY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2009

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental Activities:						
Instruction	\$ 54,499,800	1,516,186	3,630,329		(49,353,285)	
Support services	29,616,422	5,040	2,114,607		(27,496,775)	
Non-instructional	3,808,325	2,151,727	1,943,194		286,596	
Sixteenth section	529,202	654			(528,548)	
Interest and other expenses on long-term liabilities	4,401,210				(4,401,210)	
Total Governmental Activities	\$ 92,854,959	3,673,607	7,688,130	0	(81,493,222)	
General Revenues:						
Taxes:						
General purpose levies						36,060,065
Debt purpose levies						14,226,246
Unrestricted grants and contributions:						
State						45,546,313
Federal						216,307
Unrestricted investment earnings						2,129,101
Sixteenth section sources						662,770
Other						504,403
Total General Revenues						99,345,205
Change in Net Assets						17,851,983
Net Assets - Beginning, as originally reported						113,437,215
Prior Period Adjustments						182,647
Net Assets - Beginning - Restated						113,619,862
Net Assets - Ending						\$ 131,471,845

MADISON COUNTY SCHOOL DISTRICT
 Balance Sheet - Governmental Funds
 June 30, 2009

Exhibit C

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	Sixteenth Section Interest Fund	2005 General Constructon Fund	2007 Constructon Fund		
ASSETS						
Cash and cash equivalents	\$ 15,122,247	4,644,085		10,717,250	17,702,062	48,185,644
Cash with fiscal agents					175,167	175,167
Investments	5,591	3,485,258			3,265,511	6,756,360
Due from other governments	1,473,344				1,252,008	2,725,352
Accrued interest receivable					44,965	44,965
Other receivables, net	86,257	28,237			620	115,114
Due from other funds	312,601				1,932	314,533
Advance to other funds					333,567	333,567
Inventories					22,467	22,467
Prepaid items	3,855					3,855
Total Assets	\$ 17,003,895	8,157,580	0	10,717,250	22,798,299	58,677,024
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 181,968	74,381		2,200,975	56,308	2,513,632
Due to other funds	284				344,517	344,801
Advance from other funds	333,567					333,567
Unearned revenue					19,300	19,300
Total Liabilities	515,819	74,381		2,200,975	420,125	3,211,300
Fund Balances:						
Reserved for:						
Advances					333,567	333,567
Inventory					22,467	22,467
Prepaid items	3,855					3,855
Capital projects				3,016,379		3,016,379
Debt service					17,346,354	17,346,354
Unemployment benefits					197,003	197,003
Forestry improvement purposes					51,290	51,290
Permanent fund purposes					1,656,673	1,656,673
Unreserved:						
Undesignated, reported in:						
General Fund	16,484,221					16,484,221
Special Revenue Funds		8,083,199			2,600,972	10,684,171
Capital Projects Funds				5,499,896	169,699	5,669,595
Permanent Funds					149	149
Total Fund Balances	16,488,076	8,083,199		8,516,275	22,378,174	55,465,724
Total Liabilities and Fund Balances	\$ 17,003,895	8,157,580	0	10,717,250	22,798,299	58,677,024

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

MADISON COUNTY SCHOOL DISTRICT
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
 June 30, 2009

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 55,465,724
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$40,159,079.	173,192,583
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(96,681,528)
3. Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Assets recognizes interest as it accrues.	(1,025,924)
4. Governmental funds report the effect of bond issuance costs and the refunding of debt when the debt is first issued, whereas, these amounts are deferred and amortized in the Statement of Activities.	<u>520,990</u>
Total Net Assets - Governmental Activities	\$ <u><u>131,471,845</u></u>

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

MADISON COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2009

Exhibit D

	Major Funds					Total Governmental Funds
	General Fund	Sixteenth Section Interest Fund	2005 General Construction Fund	2007 Construction Fund	Other Governmental Funds	
Revenues:						
Local sources	\$ 38,612,550		319,989		17,375,411	56,307,950
Intermediate sources					500	500
State sources	44,797,209				2,501,427	47,298,636
Federal sources	237,602				5,914,512	6,152,114
Sixteenth section sources		875,301			67,401	942,702
Total Revenues	83,647,361	875,301	319,989		25,859,251	110,701,902
Expenditures:						
Instruction	46,446,763				4,585,297	51,032,060
Support services	26,576,200		348,478	1,081	3,754,046	30,679,805
Noninstructional services					3,862,871	3,862,871
Sixteenth section		516,288			161,820	678,108
Facilities acquisition and construction	113,011		11,856,927	7,670,937	150,596	19,791,471
Debt service:						
Principal					9,088,214	9,088,214
Interest	19,632				4,375,414	4,395,046
Other					98,235	98,235
Total Expenditures	73,155,606	516,288	12,205,405	7,672,018	26,076,493	119,625,810
Excess (Deficiency) of Revenues over Expenditures	10,491,755	359,013	(11,885,416)	(7,672,018)	(217,242)	(8,923,908)
Other Financing Sources (Uses):						
Proceeds of refunding bonds					8,005,000	8,005,000
Insurance loss recoveries	5,040					5,040
Operating transfers in	6,909	310,534		10,000,000	4,009,937	14,327,380
Payments held by QZAB debt escrow agent					165,000	165,000
Operating transfers out	(11,411,217)				(2,916,163)	(14,327,380)
Discount on issuance of refunding bonds					(7,550)	(7,550)
Payment to refunded bond escrow agent					(7,894,177)	(7,894,177)
Payments to QZAB debt escrow agent					(165,000)	(165,000)
Other financing uses					(21,742)	(21,742)
Total Other Financing Sources (Uses)	(11,399,268)	310,534		10,000,000	1,175,305	86,571
Net Change in Fund Balances	(907,513)	669,547	(11,885,416)	2,327,982	958,063	(8,837,337)
Fund Balances:						
July 1, 2008, as originally reported	17,212,942	7,413,652	11,885,416	6,188,293	21,442,278	64,142,581
Prior period adjustments	182,647					182,647
July 1, 2008, as restated	17,395,589	7,413,652	11,885,416	6,188,293	21,442,278	64,325,228
Decrease in reserve for inventory					(22,167)	(22,167)
June 30, 2009	\$ 16,488,076	8,083,199		8,516,275	22,378,174	55,465,724

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

MADISON COUNTY SCHOOL DISTRICT
 Reconciliation of the Governmental Funds Statement of Revenues,
 Expenditures and Changes in Fund Balances to the Statement of Activities
 For the Year Ended June 30, 2009

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ (8,837,337)
Amounts reported for governmental activities in the Statement of Activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital asset purchases and construction in progress amounted to \$21,610,187 and the depreciation expense amounted to \$3,934,733.	17,675,454
2. The issuance of long-term debt provides current financial resources in governmental funds, but the issuance increases long-term liabilities for governmental activities.	(8,005,000)
3. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Net Assets.	16,638,214
4. Governmental funds report the effect of bond issuance costs and the refunding of debt when the debt is first issued, whereas, these amounts are deferred and amortized in the Statement of Activities:	
Amortization of deferred charges, bond issuance costs	(20,444)
Deferred charges on refunding debt	351,727
Amortization of deferred charges on refunding debt	(35,173)
5. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.	127,244
6. Gains and losses on the sale or disposals of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds.	(6,405)
7. Decrease in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are increased in the Statement of Activities.	(22,167)
8. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:	
Compensated absences	<u>(14,130)</u>
Change in Net Assets of Governmental Activities	\$ <u><u>17,851,983</u></u>

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

MADISON COUNTY SCHOOL DISTRICT
Statement of Fiduciary Assets and Liabilities
June 30, 2009

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 3,411,648
Due from other funds	<u>31,916</u>
Total Assets	<u>\$ 3,443,564</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 3,133,268
Due to other funds	1,648
Due to student clubs	<u>308,648</u>
Total Liabilities	<u>\$ 3,443,564</u>

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

MADISON COUNTY SCHOOL DISTRICT

(This page left blank intentionally.)

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2009

(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. Basis of Presentation.

Government-wide Financial Statements:

The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund 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 Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

1. Invested in capital assets, net of related debt, 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 assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have 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 properly included among program revenues are reported instead as general revenues.

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2009

Fund Financial Statements:

Separate financial statements are provided for governmental, proprietary 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. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support, and other costs.

Sixteenth Section Interest Fund – This is a special revenue fund that accounts for revenues and expenditures associated with maintaining and improving sixteenth section lands.

2005 General 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.

2007 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.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted for specific expenditure purposes.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

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

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.

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2009

C. Measurement Focus and Basis of Accounting.

In the government-wide Statement of Net Assets 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 are both restricted and unrestricted net assets 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 interfund activity has been eliminated from the government-wide statements.

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.

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2005 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.

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2009

E. Encumbrances.

An encumbrance system is maintained to account for commitments resulting from purchase orders, work orders, and contracts during the fiscal year. However, the school district attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported as reservations of fund balances.

F. Assets, liabilities, and net assets or equity

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 interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund 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.

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.

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2009

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 Assets because their use is limited by applicable debt statutes. 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 account.

6. Capital Assets.

Capital assets, which include property, plant, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. 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 and estimated useful lives in excess of two years.

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:

	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
Leased property under capital leases	*	*

(*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 5 for details.

7. 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).

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2009

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 compensated absence liability payable from expendable available financial resources only if the payable has matured, for example, an employee retires.

8. Long-term Liabilities, Deferred Debt Expense, and Bond Discounts/Premiums.

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond issue cost, 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.

9. Fund equity.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved classified as designated and undesignated.

Fund reserves are portions of fund equity that are legally segregated for a specific future use or are not available for current operations. Following are descriptions of fund reserves used by the district:

Reserved for advances - An account used to offset advances recorded in the asset accounts since they do not constitute available spendable resources and are not a component of net current assets.

Reserved for inventory - An account that represents a portion of the fund balance which indicates that inventories do not represent available spendable resources even though they are a component of net current assets.

Reserved for prepaid items - An account that represents a portion of the fund balance which indicates that prepaid items do not represent available spendable resources even though they are a component of net current assets.

Reserved for capital projects - An account that represents that portion of fund balance in the Capital Projects Fund which is legally restricted and not available for spending for any other purpose than that for which it is restricted.

Reserved for debt service - An account that represents that portion of fund balance in the Debt Service Fund which is legally restricted and not available for spending for any other purpose than that for which it is restricted.

Reserved for unemployment benefits - An account that represents a portion of the fund balance that is legally restricted for the payment of unemployment benefits.

Reserved for forestry improvement purposes - An account that represents a portion of the fund balance that is legally restricted for improving sixteenth section forest lands.

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2009

Reserved for permanent fund purposes - An account that represents a portion of the fund balance that is legally restricted for investment purposes or borrowing by the school board for capital purposes.

Unreserved, undesignated -An account that represents the portion of fund balance that is expendable available financial resources.

(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 districts' 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 surplus 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 deposits and 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, the principal and interest of which are fully guaranteed by the government or enumerated agency of the United States; (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 interest in, and open-end or closed-end any management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration. 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. Amounts 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 \$48,185,644 and \$3,411,648, respectively. The bank balance was \$57,303,742.

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.

Cash with Fiscal Agents.

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$175,167.

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2009

Investments.

As of June 30, 2009, the district had the following investments.

<u>Investment Type</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>	<u>Rating</u>
Mississippi Education Investment Pool A	1 to 5 years	\$ 4,407,882	Not rated**
Mississippi Education Investment Pool B	1 to 5 years	5,591	Not rated**
Hancock Horizon Treasury Securities Money Market Mutual Fund	Less than one year	632,887	AAAm
Federal National Mortgage Association Notes	Less than one year	<u>1,710,000</u>	Not rated
Total Investments		<u>\$ 6,756,360</u>	

** The investments in the Mississippi Education Investment Pools A and B are not SEC-registered, and there is no regulatory oversight for these pools. The fair value of the position in the Pools is the same as the value of the respective Pool shares. The Mississippi Education Investment Pools A and B do not issue separate audited financial statements.

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

Credit Risk. 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. The \$632,887 investment in Hancock Horizon Treasury Securities Money Market Mutual Fund is uninsured and unregistered and is not backed by the full faith and credit of the federal government.

Concentration of Credit Risk. Disclosures 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. As of June 30, 2009, the district had the following investments:

<u>Issuer</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
Federal National Mortgage Association Notes	\$ <u>1,710,000</u>	25%

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2009

(3) Interfund Receivables, Payables and Transfers.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other governmental funds	\$ 312,601
Other governmental funds	General Fund	284
Other governmental funds	Fiduciary funds	1,648
Fiduciary funds	Other governmental funds	<u>31,916</u>
Total		<u>\$ 346,449</u>

Interfund loans were established primarily to cover federal funds not received prior to year end.

B. Advances To/From Other Funds.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other governmental funds	General Fund	\$ 333,567
Total		<u>\$ 333,567</u>

Sixteenth section principal loans payable

Note: The sixteenth section principal loans payable are not reflected on the Statement of Net Assets 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 Exhibit D.

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 163,512	13,343	176,855
2011	<u>170,055</u>	<u>6,802</u>	<u>176,857</u>
Total	<u>\$ 333,567</u>	<u>20,145</u>	<u>353,712</u>

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2009

C. Interfund Transfers.

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	2007 Construction Fund	\$ 10,000,000
General Fund	Other governmental funds	1,411,217
Other governmental funds	General Fund	6,909
Other governmental funds	Sixteenth Section Interest Fund	310,534
Other governmental funds	Other governmental funds	2,598,720
Total		<u>\$ 14,327,380</u>

(4) Restricted Assets

The restricted assets represent the cash balance and investment balance, totaling \$585,292, and \$922,625, 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 balance, cash with fiscal agent and investment balance, totaling \$226,717, \$165,217 and \$1,710,000, respectively, of the QZAB Bond Retirement Fund.

In addition the restricted assets represent the cash and investment balance, totaling \$930,894, and \$632,887, respectively, of the MAEP Limited Obligation Bond/Note Fund.

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2009

(5) Capital Assets.

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

	Balance 7/1/2008	Additions	Retirements	Completed Construction	Balance 6/30/2009
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 6,722,267				6,722,267
Construction in progress	7,467,220	19,791,471		(12,179,528)	15,079,163
Total non-depreciable capital assets	14,189,487	19,791,471		(12,179,528)	21,801,430
<u>Depreciable capital assets:</u>					
Buildings	166,583,767			11,930,957	178,514,724
Building improvements	49,724				49,724
Improvements other than buildings	5,096,769	898,624		248,571	6,243,964
Mobile equipment	2,762,257	550,041	59,567		3,252,731
Furniture and equipment	3,163,388	370,051	44,350		3,489,089
Total depreciable capital assets	177,655,905	1,818,716	103,917	12,179,528	191,550,232
<u>Less accumulated depreciation for:</u>					
Buildings	29,930,475	3,299,785			33,230,260
Building improvements	25,857	1,989			27,846
Improvements other than buildings	1,512,594	249,759			1,762,353
Mobile equipment	2,392,546	83,627	53,610		2,422,563
Furniture and equipment	2,460,386	299,573	43,902		2,716,057
Total accumulated depreciation	36,321,858	3,934,733	97,512		40,159,079
Total depreciable capital assets, net	141,334,047	(2,116,017)	6,405	12,179,528	151,391,153
Governmental activities capital assets, net	\$ 155,523,534	17,675,454	6,405		173,192,583

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 3,529,827
Support services	272,122
Non-instructional	132,784
Total Depreciation Expense	\$ 3,934,733

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2009

Commitments under construction contracts at June 30, 2009, are summarized as follows:

	<u>Spent to June 30, 2009</u>	<u>Remaining Commitment</u>
Governmental Activities:		
New Gluckstadt Middle School	\$ 15,079,163	3,016,379
Total	<u>15,079,163</u>	<u>3,016,379</u>

(6) Long-term Liabilities.

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

	<u>Balance 7/1/2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2009</u>	<u>Amounts due within one year</u>
A. General obligation bonds payable	\$ 82,000,000	8,005,000	14,310,000	75,695,000	8,680,000
B. Limited obligation bonds payable	8,030,000		570,000	7,460,000	360,000
C. Three mill notes payable	11,125,000		1,225,000	9,900,000	1,440,000
D. Shortfall notes payable	1,664,178		533,214	1,130,964	554,482
E. Qualified zone academy bonds payable	2,000,000			2,000,000	
F. Compensated absences payable	481,434	14,130		495,564	19,823
Total	<u>\$ 105,300,612</u>	<u>8,019,130</u>	<u>16,638,214</u>	<u>96,681,528</u>	<u>11,054,305</u>

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2009

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 Rates	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. General obligation bonds, Series 2000-A	5%	9/1/2000	9/1/2009	\$ 38,160,000	1,795,000
2. General obligation bonds, Series 2001	4.25 - 5%	6/1/2001	9/1/2009	16,840,000	965,000
3. General obligation refunding bonds, Series 2002	3 - 5%	11/1/2002	12/1/2013	10,850,000	5,655,000
4. General obligation refunding bonds, Series 2005-A	3.25 - 5%	4/11/2005	9/1/2019	26,190,000	24,110,000
5. General obligation refunding bonds, Series 2005-B	3 - 3.25%	4/11/2005	3/1/2010	1,305,000	255,000
6. General obligation refunding bonds, Series 2005-C	3 - 3.25%	4/11/2005	2/1/2010	1,100,000	125,000
7. General obligation bonds, Series 2005	4 - 4.75%	4/15/2005	4/15/2025	40,000,000	34,785,000
8. General obligation refunding bonds, Series 2008	3 - 4%	12/17/2008	9/1/2018	8,005,000	8,005,000
Total				\$ <u>142,450,000</u>	<u>75,695,000</u>

Details of the district's general obligation bonded indebtedness are as follows:

1. Series 2000-A issued in September, 2000:

Year Ending June 30	Principal	Interest	Total
2010	\$ <u>1,795,000</u>	<u>44,875</u>	<u>1,839,875</u>
Total	\$ <u>1,795,000</u>	<u>44,875</u>	<u>1,839,875</u>

This debt will be retired from the 2000 \$38.16M Bond Fund.

2. Series 2001 issued in June, 2001:

Year Ending June 30	Principal	Interest	Total
2010	\$ <u>965,000</u>	<u>20,506</u>	<u>985,506</u>
Total	\$ <u>965,000</u>	<u>20,506</u>	<u>985,506</u>

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2009

This debt will be retired from the 2001 \$16,840,000 Bond Fund.

3. Series 2002 issued in November, 2002:

Year Ending June 30	Principal	Interest	Total
2010	\$ 1,140,000	207,525	1,347,525
2011	1,185,000	166,838	1,351,838
2012	1,230,000	121,500	1,351,500
2013	1,290,000	64,650	1,354,650
2014	<u>810,000</u>	<u>16,200</u>	<u>826,200</u>
Total	<u>\$ 5,655,000</u>	<u>576,713</u>	<u>6,231,713</u>

This debt will be retired from the 2002 GO Refunding Bonds Fund.

4. Series 2005-A issued in April, 2005:

Year Ending June 30	Principal	Interest	Total
2010	\$ 2,750,000	1,039,131	3,789,131
2011	5,270,000	859,638	6,129,638
2012	1,480,000	694,487	2,174,487
2013	1,560,000	633,788	2,193,788
2014	1,630,000	565,737	2,195,737
2015 - 2019	9,405,000	1,680,969	11,085,969
2020 - 2024	<u>2,015,000</u>	<u>50,375</u>	<u>2,065,375</u>
Total	<u>\$ 24,110,000</u>	<u>5,524,125</u>	<u>29,634,125</u>

This debt will be retired from the 2005-A Refunding 2000 GO Bond Fund.

5. Series 2005-B issued in April, 2005:

Year Ending June 30	Principal	Interest	Total
2010	\$ 255,000	8,287	263,287
Total	<u>\$ 255,000</u>	<u>8,287</u>	<u>263,287</u>

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2009

This debt will be retired from the 2005-B Refunding 1997-A Fund.

6. Series 2005-C issued in April, 2005:

Year Ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 125,000	4,063	129,063
Total	\$ <u>125,000</u>	<u>4,063</u>	<u>129,063</u>

This debt will be retired from the 2005-C Refunding 1997-B Fund.

7. Series 2005 issued in April, 2005:

Year Ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 1,470,000	1,531,325	3,001,325
2011	1,600,000	1,472,525	3,072,525
2012	1,620,000	1,408,525	3,028,525
2013	1,705,000	1,343,725	3,048,725
2014	1,790,000	1,275,525	3,065,525
2015 - 2019	10,365,000	5,176,100	15,541,100
2020 - 2024	13,235,000	2,621,400	15,856,400
2025 - 2029	<u>3,000,000</u>	<u>142,500</u>	<u>3,142,500</u>
Total	\$ <u>34,785,000</u>	<u>14,971,625</u>	<u>49,756,625</u>

This debt will be retired from the 2005 GO Bond \$40M Fund.

8. Series 2008 issued in December, 2008:

Year Ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 180,000	259,700	439,700
2011	1,050,000	241,250	1,291,250
2012	1,015,000	210,275	1,225,275
2013	1,005,000	179,975	1,184,975
2014	940,000	150,330	1,090,330
2015 – 2019	<u>3,815,000</u>	<u>325,380</u>	<u>4,140,380</u>
Total	\$ <u>8,005,000</u>	<u>1,366,910</u>	<u>9,371,910</u>

This debt will be retired from the 2008 Refunding 2001 GO Bond Fund.

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2009

Total general obligation bond payments for all issues:

Year Ending June 30	Principal	Interest	Total
2010	\$ 8,680,000	3,115,412	11,795,412
2011	9,105,000	2,740,251	11,845,251
2012	5,345,000	2,434,787	7,779,787
2013	5,560,000	2,222,138	7,782,138
2014	5,170,000	2,007,792	7,177,792
2015 - 2019	23,585,000	7,182,449	30,767,449
2020 - 2024	15,250,000	2,671,775	17,921,775
2025 - 2029	3,000,000	142,500	3,142,500
Total	\$ 75,695,000	22,517,104	98,212,104

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, 2009, the amount of outstanding bonded indebtedness was equal to 8% of property assessments as of October 1, 2008.

Current Refunding.

On December 17, 2008 the district issued \$8,005,000 in refunding bonds with an average interest rate of 3.3% percent to advance refund \$7,550,000 of outstanding general obligation bonds with an average interest rate of 4.7% percent. The net proceeds of \$7,894,177 (including discounts of \$63,585) after payments of \$47,238 for issuance costs were deposited in an irrevocable trust with an escrow agent to provide for all future debt payment requirements on the refunded bonds.

As a result, the general obligation bonds are considered to be defeased and the liability for those bonds has been removed from long-term liabilities.

The district advance refunded the general obligation bonds to reduce its total debt service payments over the remaining ten years of the debt by approximately \$245,000 and to realize an economic gain of \$187,500.

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 Rates	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement refunding bonds, Series 2007	3.75%	12/21/2007	2/1/2018	\$ 7,460,000	7,460,000
Total				\$ 7,460,000	7,460,000

Details of the district's limited obligation bonds indebtedness are as follows:

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2009

Year Ending June 30	Principal	Interest	Total
2010	\$ 360,000	272,665	632,665
2011	705,000	252,696	957,696
2012	730,000	225,790	955,790
2013	760,000	197,853	957,853
2014	785,000	168,884	953,884
2015 - 2019	<u>4,120,000</u>	<u>363,910</u>	<u>4,483,910</u>
Total	<u>\$ 7,460,000</u>	<u>1,481,798</u>	<u>8,941,798</u>

This debt will be retired from the 1998 MAEP Bonded Debt Fund.

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.

C. Three mill notes payable.

Debt currently outstanding is as follows:

Description	Interest Rates	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax notes, Series 2002	3 - 5%	11/1/2002	6/1/2016	\$ 12,000,000	6,790,000
Limited tax notes, Series 2004	2 - 5%	5/27/2004	6/1/2014	<u>6,000,000</u>	<u>3,110,000</u>
Total				<u>\$ 18,000,000</u>	<u>9,900,000</u>

Details of the district's three mill notes payable are as follows:

1. Limited tax notes, Series 2002 issued in November, 2002:

Year Ending June 30	Principal	Interest	Total
2010	\$ 860,000	298,850	1,158,850
2011	890,000	268,750	1,158,750
2012	925,000	233,150	1,158,150
2013	960,000	196,150	1,156,150
2014	1,000,000	157,750	1,157,750
2015 - 2019	<u>2,155,000</u>	<u>163,000</u>	<u>2,318,000</u>
Total	<u>\$ 6,790,000</u>	<u>1,317,650</u>	<u>8,107,650</u>

This debt will be retired from the 2002 Three Mill Note Fund.

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2009

2. Limited tax notes, Series 2004 issued in May, 2004:

Year Ending June 30	Principal	Interest	Total
2010	\$ 580,000	109,052	689,052
2011	600,000	90,203	690,203
2012	620,000	69,202	689,202
2013	645,000	47,503	692,503
2014	665,000	24,605	689,605
Total	\$ 3,110,000	340,565	3,450,565

This debt will be retired from the 2004 Limited Tax Note \$6,000,000 Fund.

Total three mill notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2010	\$ 1,440,000	407,902	1,847,902
2011	1,490,000	358,953	1,848,953
2012	1,545,000	302,352	1,847,352
2013	1,605,000	243,653	1,848,653
2014	1,665,000	182,355	1,847,355
2015 - 2019	2,155,000	163,000	2,318,000
Total	\$ 9,900,000	1,658,215	11,558,215

D. Shortfall notes payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Revenue shortfall note, Series 2007	3.70%	9/7/2007	9/7/2010	\$ 1,664,178	1,130,964
Total				\$ 1,664,178	1,130,964

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2009

Details of the district's shortfall notes payable are as follows:

Year Ending June 30	Principal	Interest	Total
2010	\$ 554,482	41,791	596,273
2011	<u>576,482</u>	<u>19,791</u>	<u>596,273</u>
Total	<u>\$ 1,130,964</u>	<u>61,582</u>	<u>1,192,546</u>

This debt will be retired from the 2007 Tax Shortfall Fund.

E. Qualified zone academy bonds payable.

As more fully explained in Note 13, debt has been issued by the school district that qualifies as Qualified Zone Academy bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified zone academy note	0.00%	7/20/2000	7/1/2010	\$ <u>2,000,000</u>	<u>2,000,000</u>
Total				<u>\$ 2,000,000</u>	<u>2,000,000</u>

F. Compensated absences payable.

As more fully explained in Note 1(F)(7), 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.

(7) Prior Year Defeasance of Debt.

In prior years, the Madison County School District defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the district's financial statements. On June 30, 2009, \$39,240,000 of outstanding bonds are considered defeased.

(8) Other Commitments.

Commitments under construction contracts are described in Note 5.

Operating leases:

The school district has operating leases for copiers and dishwashing machines.

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2009

For the year ended June 30, 2009, lease expenditures for the copiers and dishwashing machines amounted to \$111,873 and \$17,160, respectively.

1. Future copier lease payments are as follows:

Year Ending June 30	Amount
2010	\$ 136,818
2011	147,935
2012	96,684
2013	65,489
2014	<u>55</u>
Total	<u>\$ 446,981</u>

2. Future dishwashing machine lease rental payments are as follows:

Year Ending June 30	Amount
2010	\$ 17,160
2011	17,160
2012	17,160
2013	17,160
2014	<u>17,160</u>
Total	<u>\$ 85,800</u>

Total future operating lease payments:

Year Ending June 30	Amount
2010	\$ 153,978
2011	165,095
2012	113,844
2013	82,649
2014	<u>17,215</u>
Total	<u>\$ 532,781</u>

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2009

Contracts:

The school district entered into a contract dated July 1, 2005 with First Student, Inc. to provide transportation services through June 30, 2009. On July 1, 2009, an agreement was signed to amend certain provisions of the pupil transportation services agreement and extend the term of the agreement for four additional years, commencing July 1, 2009 and continuing through June 30, 2013. The maximum term of this agreement, including extensions, is eight years. The contract is based on an estimated school year comprised of a minimum 180 days and 114 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, 2009, totaled \$4,887,035. Minimum future payments to be made under the contract are estimated as follows:

Year Ending June 30	Amount
2010	\$ 4,850,197
2011	5,019,960
2012	5,195,788
2013	<u>5,527,027</u>
Total	<u>\$ 20,592,972</u>

(9) Defined Benefit 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. Benefit provisions are established by state law and may be amended only by the State of 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.

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2009 was 11.85% 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, 2009, 2008 and 2007 were \$5,915,054, \$5,398,160 and \$4,892,130, respectively, which equaled the required contributions for each year.

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2009

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

Year Ending June 30	Amount
2010	\$ 739,243
2011	555,044
2012	527,834
2013	505,573
2014	445,585
Thereafter	<u>12,937,311</u>
Total	<u>\$ 15,710,590</u>

(11) Prior Period Adjustments.

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

Explanation	Amount
Prior year E-rate revenue that was recorded as revenue in the current year	\$ <u>182,647</u>
Total	\$ <u><u>182,647</u></u>

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

Major Funds	Explanation	Amount
General fund	Prior year E-rate revenue that was recorded as revenue in the current year	\$ <u>182,647</u>
	Total	\$ <u><u>182,647</u></u>

(12) 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.

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2009

(13) Qualified Zone Academy Bonds.

Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34) provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the establishment of special academic programs from kindergarten through secondary school, in partnership with the business community. The school district has entered into such an arrangement dated July 20, 2000, partnering with Utility Management Corporation, Bank Plus, MISSCO, Chandler-Sampson Insurance Company, Southland Container, Office Management Systems Inc., Bancorp South and Adams and Reese LLP, with the present value of their contributions being, \$84,211, \$46,979, \$13,821, \$1,486, \$2,544, \$2,793, \$8,584 and \$41,000, respectively.

This agreement establishes a method of repayment for a qualified interest-free debt instrument. The agreement requires the school district to deposit funds annually into a sinking fund account on or before July 1. The final deposit of \$165,000 was made as of June 30, 2009. The amount accumulated in the sinking fund at the end of the ten-year period will be sufficient to retire the debt at its maturity date of July 1, 2010.

(14) Insurance loss recoveries.

The Madison County School District received \$5,040 in insurance loss recoveries related to fire hydrant repairs and bus repairs during the 2008-2009 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as Charges for Services and allocated among the expenditure functions based on the percentages as follows:

	<u>Insurance Loss Recoveries</u>	<u>Percentage</u>	<u>Expenditure Function</u>
\$	3,528	70%	Instruction
	1,008	20%	Support services
	<u>504</u>	<u>10%</u>	Non-instructional
\$	<u><u>5,040</u></u>	<u><u>100%</u></u>	

(15) Subsequent Events.

Events that occur after the statement of net assets date but before the financial statements were 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 assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net assets date require disclosure in the accompanying notes. Management of the school district evaluated the activity of the district through the date of the financial statements were available to be issued and determined that the following subsequent events have occurred that require disclosure in the notes to the financial statements:

In December, 2009, the school district issued \$29,000,000 in general obligation bonds with an average interest rate of 3.5%. Moody's Investors Service and Standard & Poor's established a bond rating of AA. The district also had a fire loss at Madison Middle School. The fire loss will affect the future insurance rates of the district.

In January, 2010, the school district issued \$3,000,000 of Qualified School Construction Bonds. The bonds are non-interest bearing and mature on September 15, 2024.

MADISON COUNTY SCHOOL DISTRICT

(This page left blank intentionally.)

MADISON COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTAL INFORMATION

MADISON COUNTY SCHOOL DISTRICT

(This page left blank intentionally.)

MADISON COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2009

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 36,403,948	38,612,550	38,612,550	2,208,602	
State sources	45,282,808	44,797,209	44,797,209	(485,599)	
Federal sources		373,556	237,602	373,556	(135,954)
Total Revenues	<u>81,686,756</u>	<u>83,783,315</u>	<u>83,647,361</u>	<u>2,096,559</u>	<u>(135,954)</u>
Expenditures:					
Instruction	47,731,683	46,446,763	46,446,763	1,284,920	
Support services	27,812,961	26,574,805	26,576,200	1,238,156	(1,395)
Facilities acquisition and construction	2,500,000	113,011	113,011	2,386,989	
Debt service:					
Principal	12,621			12,621	
Interest	2,144	19,632	19,632	(17,488)	
Total Expenditures	<u>78,059,409</u>	<u>73,154,211</u>	<u>73,155,606</u>	<u>4,905,198</u>	<u>(1,395)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>3,627,347</u>	<u>10,629,104</u>	<u>10,491,755</u>	<u>7,001,757</u>	<u>(137,349)</u>
Other Financing Sources (Uses):					
Insurance loss recoveries		5,040	5,040	5,040	
Operating transfers in	2,435,558	2,276,356	6,909	(159,202)	(2,269,447)
Operating transfers out	(4,129,255)	(13,680,664)	(11,411,217)	(9,551,409)	2,269,447
Total Other Financing Sources (Uses)	<u>(1,693,697)</u>	<u>(11,399,268)</u>	<u>(11,399,268)</u>	<u>(9,705,571)</u>	
Net Change in Fund Balances	<u>1,933,650</u>	<u>(770,164)</u>	<u>(907,513)</u>	<u>(2,703,814)</u>	<u>(137,349)</u>
Fund Balances:					
July 1, 2008, as originally reported	8,964,117	17,212,942	17,212,942	8,248,825	
Prior period adjustments			182,647		182,647
July 1, 2008, as restated	<u>8,964,117</u>	<u>17,212,942</u>	<u>17,395,589</u>	<u>8,248,825</u>	<u>182,647</u>
June 30, 2009	<u>\$ 10,897,767</u>	<u>16,442,778</u>	<u>16,488,076</u>	<u>5,545,011</u>	<u>45,298</u>

The notes to the required supplemental information are an integral part of this statement.

MADISON COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Sixteenth Section Interest Fund
 For the Year Ended June 30, 2009

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Sixteenth section sources	\$ 673,664	875,301	875,301	201,637	
Total Revenues	<u>673,664</u>	<u>875,301</u>	<u>875,301</u>	<u>201,637</u>	
Expenditures:					
Sixteenth section	68,343	159,221	516,288	(90,878)	(357,067)
Total Expenditures	<u>68,343</u>	<u>159,221</u>	<u>516,288</u>	<u>(90,878)</u>	<u>(357,067)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>605,321</u>	<u>716,080</u>	<u>359,013</u>	<u>110,759</u>	<u>(357,067)</u>
Other Financing Sources:					
Operating transfers in		310,534	310,534	310,534	
Total Other Financing Sources		<u>310,534</u>	<u>310,534</u>	<u>310,534</u>	
Net Change in Fund Balances	<u>605,321</u>	<u>1,026,614</u>	<u>669,547</u>	<u>421,293</u>	<u>(357,067)</u>
Fund Balances:					
July 1, 2008	<u>6,974,173</u>	<u>7,413,652</u>	<u>7,413,652</u>	<u>439,479</u>	
June 30, 2009	\$ <u>7,579,494</u>	<u>8,440,266</u>	<u>8,083,199</u>	<u>860,772</u>	<u>(357,067)</u>

The notes to the required supplemental information are an integral part of this statement.

MADISON COUNTY SCHOOL DISTRICT

Notes to the Required Supplemental Information
For the Year Ended June 30, 2009

Budgetary Comparison Schedule

(1) Basis of Presentation.

The Budgetary Comparison Schedule presents 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.

MADISON COUNTY SCHOOL DISTRICT

(This page left blank intentionally.)

MADISON COUNTY SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

MADISON COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2009

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 390,978
National school lunch program	10.555	1,548,083
Total child nutrition cluster		<u>1,939,061</u>
Total U.S. Department of Agriculture		<u>1,939,061</u>
<u>U.S. Department of Defense</u>		
Direct program:		
Reserve Officers' Training Corps	12.XXX	184,072
Total U.S. Department of Defense		<u>184,072</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	216,307
Total Federal Communications Commission		<u>216,307</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	1,174,083
Career and technical education - basic grants to states	84.048	83,436
Safe and drug-free schools and communities- state grants	84.186	48,925
State grants for innovative programs	84.298	16,789
English language acquisition grants	84.365	49,525
Improving teacher quality state grants	84.367	401,611
Total		<u>1,774,369</u>
Special education cluster:		
Special education - grants to states	84.027	1,834,342
Special education - preschool grants	84.173	66,464
Total special education cluster		<u>1,900,806</u>
Total passed-through Mississippi Department of Education		<u>3,675,175</u>
Total U.S. Department of Education		<u>3,675,175</u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	9,634
Total passed-through Mississippi Department of Education		<u>9,634</u>
Total U.S. Department of Health and Human Services		<u>9,634</u>
Total for All Federal Awards		<u>\$ 6,024,249</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 of Instructional, Administrative and Other Expenditures - Governmental Funds
 For the Year Ended June 30, 2009

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 62,761,986	52,453,575	1,519,068	4,594,697	4,194,646
Other	<u>56,863,824</u>	<u>6,464,230</u>	<u>991,840</u>	<u>201,171</u>	<u>49,206,583</u>
Total	<u>\$ 119,625,810</u>	<u>58,917,805</u>	<u>2,510,908</u>	<u>4,795,868</u>	<u>53,401,229</u>
Total number of students*	<u>10,949</u>				
Cost per student	<u>\$ 10,926</u>	<u>5,381</u>	<u>230</u>	<u>438</u>	<u>4,877</u>

For purposes 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. (all the 1000, 2100, & 2200 functional codes).

General Administration - includes expenditures for the following functions: Support Services - General Administration (2300s); and Support Services - Business (2500s).

School Administration - includes expenditures for the following function: Support Services - School Administration (2400s).

Other - includes all expenditure 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.

MADISON COUNTY SCHOOL DISTRICT

(This page left blank intentionally.)

MADISON COUNTY SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

MADISON COUNTY SCHOOL DISTRICT

(This page left blank intentionally.)

MADISON COUNTY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

General Fund

Last Four Years

	2009	2008*	2007*	2006*
Revenues:				
Local sources	\$ 38,612,550	37,222,318	34,316,115	31,932,022
State sources	44,797,209	43,854,950	39,173,440	35,555,796
Federal sources	237,602	195,587	250,365	270,340
Total Revenues	<u>83,647,361</u>	<u>81,272,855</u>	<u>73,739,920</u>	<u>67,758,158</u>
Expenditures:				
Instruction	46,446,763	45,066,838	41,782,707	37,557,790
Support services	26,576,200	25,055,902	25,005,414	21,231,441
Facilities acquisition and construction	113,011	305,921	423,012	235,723
Debt service:				
Interest	19,632	23,043	27,829	3,096
Total Expenditures	<u>73,155,606</u>	<u>70,451,704</u>	<u>67,238,962</u>	<u>59,028,050</u>
Excess (Deficiency) of Revenues over Expenditures	<u>10,491,755</u>	<u>10,821,151</u>	<u>6,500,958</u>	<u>8,730,108</u>
Other Financing Sources (Uses):				
Proceeds of loans		1,664,178		
Insurance loss recoveries	5,040			36,644
Sale of easements		80,200		
Operating transfers in	6,909	18,674	2,643,364	2,055,932
Other financing sources			600	55,077
Operating transfers out	(11,411,217)	(10,279,703)	(3,845,257)	(14,311,562)
Total Other Financing Sources (Uses)	<u>(11,399,268)</u>	<u>(8,516,651)</u>	<u>(1,201,293)</u>	<u>(12,163,909)</u>
Net Change in Fund Balances	<u>(907,513)</u>	<u>2,304,500</u>	<u>5,299,665</u>	<u>(3,433,801)</u>
Fund Balances:				
July 1, as originally reported	17,212,942	14,908,442	9,608,777	13,042,578
Prior period adjustments	182,647			
July 1, as restated	<u>17,395,589</u>	<u>14,908,442</u>	<u>9,608,777</u>	<u>13,042,578</u>
June 30	<u>\$ 16,488,076</u>	<u>17,212,942</u>	<u>14,908,442</u>	<u>9,608,777</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

MADISON COUNTY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

All Governmental Funds

Last Four Years

	2009	2008*	2007*	2006*
Revenues:				
Local sources	\$ 56,307,950	54,662,228	51,855,972	48,763,060
Intermediate sources	500			
State sources	47,298,636	46,355,215	41,565,365	37,921,986
Federal sources	6,152,114	5,931,092	6,265,963	7,755,301
Sixteenth section sources	942,702	1,384,666	1,358,948	1,087,475
Total Revenues	<u>110,701,902</u>	<u>108,333,201</u>	<u>101,046,248</u>	<u>95,527,822</u>
Expenditures:				
Instruction	51,032,060	49,352,315	46,109,451	43,004,613
Support services	30,679,805	27,908,151	27,747,954	26,579,018
Noninstructional services	3,862,871	3,444,276	4,252,495	3,961,516
Sixteenth section	678,108	175,165	174,219	141,681
Facilities acquisition and construction	19,791,471	7,944,913	17,899,182	22,687,399
Debt service:				
Principal	9,088,214	9,010,000	8,455,000	8,025,000
Interest	4,395,046	4,588,158	5,080,761	5,311,667
Debt issuance cost		87,490		
Other	98,235	28,319	21,102	22,192
Total Expenditures	<u>119,625,810</u>	<u>102,538,787</u>	<u>109,740,164</u>	<u>109,733,086</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(8,923,908)</u>	<u>5,794,414</u>	<u>(8,693,916)</u>	<u>(14,205,264)</u>
Other Financing Sources (Uses):				
Proceeds of refunding bonds	8,005,000	7,460,000		
Premium on debt issuance		85,594		
Proceeds of loans		1,664,178		
Insurance loss recoveries	5,040			36,644
Sale of easements		80,200		
Operating transfers in	14,327,380	10,552,389	3,870,279	14,356,023
Payment to escrow agent	165,000	220,000	220,000	360,000
Other financing sources			20,091	55,077
Operating transfers out	(14,327,380)	(10,552,389)	(3,870,279)	(14,356,023)
Discount on issuance of refunding bonds	(7,550)			
Payment to refunded bond escrow agent	(7,894,177)	(7,458,104)		
Transfer to escrow agent	(165,000)	(220,000)	(220,000)	(360,000)
Other financing uses	(21,742)			
Total Other Financing Sources (Uses)	<u>86,571</u>	<u>1,831,868</u>	<u>20,091</u>	<u>91,721</u>
Net Change in Fund Balances	<u>(8,837,337)</u>	<u>7,626,282</u>	<u>(8,673,825)</u>	<u>(14,113,543)</u>
Fund Balances:				
July 1, as originally reported	64,142,581	56,517,600	65,190,124	79,322,762
Prior period adjustments	182,647			
July 1, as restated	<u>64,325,228</u>	<u>56,517,600</u>	<u>65,190,124</u>	<u>79,322,762</u>
Increase (Decrease) in reserve for inventory	<u>(22,167)</u>	<u>(1,301)</u>	<u>1,301</u>	<u>(19,095)</u>
June 30	<u>\$ 55,465,724</u>	<u>64,142,581</u>	<u>56,517,600</u>	<u>65,190,124</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

MADISON COUNTY SCHOOL DISTRICT

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

MADISON COUNTY SCHOOL DISTRICT

(This page left blank intentionally.)



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

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

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 Madison County School District as of and for the year ended June 30, 2009, which collectively comprise Madison County School District's basic financial statements and have issued our report thereon dated September 15, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the school district's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the school district's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies 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.

Handwritten signature of William R. Doss in black ink.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

September 15, 2010



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Superintendent and School Board
Madison County School District

Compliance

We have audited the compliance of the Madison County School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The Madison County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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. Our audit does not provide a legal determination on the school district's compliance with those requirements.

In our opinion, Madison County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the Madison County School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Madison County School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the school board and management, others within the entity, entities with accreditation overview, and federal awarding agencies 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.

A handwritten signature in black ink that reads "Will. R. Doss". The signature is written in a cursive style with a long horizontal stroke at the end.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

September 15, 2010

MADISON COUNTY SCHOOL DISTRICT

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

MADISON COUNTY SCHOOL DISTRICT

(This page left blank intentionally)



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**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, 2009, which collectively comprise Madison County School District's basic financial statements and have issued our report thereon dated September 15, 2010. 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 insure 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 \$262,449 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 insure 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 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.

A handwritten signature in black ink that reads "Will R. Doss". The signature is written in a cursive, slightly slanted style.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

September 15, 2010

MADISON COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MADISON COUNTY SCHOOL DISTRICT

(This page left blank intentionally.)

MADISON COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|-------------|
| 1. | Type of auditor's report issued on the financial statements: | Unqualified |
| 2. | Material noncompliance relating to the financial statements? | No |
| 3. | Internal control over financial reporting: | |
| a. | Material weaknesses identified? | No |
| b. | Significant deficiencies identified that are not considered to be material weaknesses? | No |

Federal Awards:

- | | | |
|-----|---|-------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5. | Internal control over major programs: | |
| a. | Material weaknesses identified? | No |
| b. | Significant deficiencies identified that are not considered to be material weaknesses? | No |
| 6. | Any audit findings reported as required by Section ____510(a) of Circular A-133? | No |
| 7. | Federal programs identified as major programs: | |
| a. | Title I Grants to Local Educational Agencies
CFDA # 84.010 | |
| b. | Improving Teacher Quality State Grants
CFDA # 84.367 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | Yes |
| 10. | Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____315(b) of OMB Circular A-133? | No |

Section 2: 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 3: Federal Award Findings and Questioned Costs

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

(This page left blank intentionally.)