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**Madison County School District**  
Audited Financial Statements  
For the Year Ended June 30, 2014

**Fortenberry & Ballard, PC**  
Certified Public Accountants

**Madison County School District  
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## FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Madison County School District

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Madison County School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Madison County School District's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Madison County School District, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 8 to 17 and 53 to 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Madison County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived

from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

The other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2015, on our consideration of the Madison County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Madison County School District's internal control over financial reporting and compliance.

*Fortenberry & Ballard, PC*

Fortenberry & Ballard, PC  
February 6, 2015

Certified Public Accountants

## MANAGEMENT'S DISCUSSION AND ANALYSIS

MADISON COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014

The following discussion and analysis of Madison County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2014. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

**FINANCIAL HIGHLIGHTS**

- Total net position for 2014 increased \$11,350,939, including a prior period adjustment of \$4,094, which represents a 6% increase from fiscal year 2013. Total net position for 2013 increased \$14,248,802, which represents an 8% increase from fiscal year 2012.
- General revenues amounted to \$113,801,067 and \$108,817,730, or 88% and 88% of all revenues for fiscal years 2014 and 2013, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$14,845,835, or 12% of total revenues for 2014, and \$14,648,216, or 12% of total revenues for 2013.
- The District had \$117,300,057 and \$109,217,144 in expenses for fiscal years 2014 and 2013; only \$14,845,835 for 2014 and \$14,648,216 for 2013 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$113,801,067 for 2014 and \$108,817,730 for 2013 were adequate to provide for these programs.
- Among major funds, the General Fund had \$98,557,479 in revenues and \$92,243,749 in expenditures for 2014, and \$93,872,817 in revenues and \$85,293,122 in expenditures in 2013. The General Fund's fund balance increased by \$3,614,243 from 2013 to 2014, and decreased by \$3,628,729, including a prior period adjustment of (\$1,514), from 2012 to 2013.
- Capital assets, net of accumulated depreciation, decreased by \$1,093,461 for 2014 and increased by \$321,501 for 2013. The decrease for 2014 was due primarily to the increase in accumulated depreciation.
- Long-term debt decreased by \$11,380,000 for 2014 and decreased by \$11,514,153 for 2013. The decrease for 2014 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$23,864 for 2014 and decreased by \$187,153 for 2013.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

MADISON COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014

**Government-wide Financial Statements**

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

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

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

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

**Fund Financial Statements**

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may gain a better understanding of the long-term impact of the District's near-term financing decisions. The governmental

MADISON COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014

funds Balance Sheet is reconciled to the Statement of Net Position, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

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

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

### **Reconciliation of Government-wide and Fund Financial Statements**

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

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

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

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

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

### **Notes to the financial statements**

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

MADISON COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014

**Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

**Supplementary Information**

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

**Other Information**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net position**

Net position may serve over time as a useful indicator of the District's financial position. Assets and deferred outflows of resources exceeded liabilities by \$209,278,373 as of June 30, 2014.

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

Table 1 presents a summary of the District's net position at June 30, 2014 and June 30, 2013.

MADISON COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014

**Table 1**  
**Condensed Statement of Net Position**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
Current assets	\$ 87,750,255	\$ 86,034,638	1.99 %
Restricted assets	6,292,094	6,083,882	3.42 %
Capital assets, net	217,856,820	218,950,281	(0.50) %
<b>Total assets</b>	<b><u>311,899,169</u></b>	<b><u>311,068,801</u></b>	<b>0.27 %</b>
 <b>Deferred outflows of resources</b>	 <b><u>2,057,512</u></b>	 <b><u>2,298,993</u></b>	 <b>(10.50) %</b>
Current liabilities	2,456,590	1,580,472	55.43 %
Long-term debt outstanding	102,221,718	113,859,888	(10.22) %
<b>Total liabilities</b>	<b><u>104,678,308</u></b>	<b><u>115,440,360</u></b>	<b>(9.32) %</b>
 <b>Net position:</b>			
Net investment in capital assets	120,166,037	109,874,512	9.37 %
Restricted	39,821,165	37,607,113	5.89 %
Unrestricted	49,291,171	50,445,809	(2.29) %
<b>Total net position</b>	<b><u>\$ 209,278,373</u></b>	<b><u>\$ 197,927,434</u></b>	<b>5.73 %</b>

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

- Decrease in net capital assets in the amount of \$1,093,461.
- The principal retirement of \$11,380,000 of long-term debt.

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2014 and June 30, 2013 were \$128,646,902 and \$123,465,946, respectively. The total cost of all programs and services was \$117,300,057 for 2014 and \$109,217,144 for 2013.

MADISON COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2014 and June 30, 2013.

**Table 2**  
**Changes in Net Position**

	<u>Year Ended June 30, 2014</u>	<u>Year Ended June 30, 2013</u>	<u>Percentage Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 4,142,036	\$ 4,222,899	(1.91) %
Operating grants and contributions	10,703,799	10,425,317	2.67 %
General revenues:			
Property taxes	60,069,625	57,879,455	3.78 %
Grants and contributions not restricted	50,696,479	47,860,235	5.93 %
Investment earnings	1,454,645	1,177,414	23.55 %
Sixteenth section sources	1,071,027	1,244,684	(13.95) %
Other	509,291	655,942	(22.36) %
<b>Total revenues</b>	<b><u>128,646,902</u></b>	<b><u>123,465,946</u></b>	<b>4.20 %</b>
<b>Expenses:</b>			
Instruction	67,921,245	63,880,559	6.33 %
Support services	40,195,511	35,878,895	12.03 %
Non-instructional	5,333,814	5,201,361	2.55 %
Sixteenth section	248,361	225,333	10.22 %
Interest on long-term liabilities	3,601,126	4,030,996	(10.66) %
<b>Total expenses</b>	<b><u>117,300,057</u></b>	<b><u>109,217,144</u></b>	<b>7.40 %</b>
<b>Increase (Decrease) in net position</b>	<b><u>11,346,845</u></b>	<b><u>14,248,802</u></b>	<b>(20.37) %</b>
<b>Net Position, July 1, as previously reported</b>	<b><u>197,927,434</u></b>	<b><u>183,678,632</u></b>	<b>7.76 %</b>
<b>Prior Period Adjustment</b>	<b><u>4,094</u></b>	<b><u>-</u></b>	<b>N/A %</b>
<b>Net Position, July 1, as restated</b>	<b><u>197,931,528</u></b>	<b><u>183,678,632</u></b>	<b>7.76 %</b>
<b>Net Position, June 30</b>	<b><u>\$ 209,278,373</u></b>	<b><u>\$ 197,927,434</u></b>	<b>5.73 %</b>

**Governmental activities**

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

MADISON COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014

**Table 3**  
**Net Cost of Governmental Activities**

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2014</u>	<u>2013</u>	
Instruction	\$ 67,921,245	\$ 63,880,559	6.33 %
Support services	40,195,511	35,878,895	12.03 %
Non-instructional	5,333,814	5,201,361	2.55 %
Sixteenth section	248,361	225,333	10.22 %
Interest on long-term liabilities	3,601,126	4,030,996	(10.66) %
<b>Total expenses</b>	<b>\$ 117,300,057</b>	<b>\$ 109,217,144</b>	<b>7.40 %</b>

  

	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2014</u>	<u>2013</u>	
Instruction	\$ (60,740,974)	\$ (56,883,191)	6.78 %
Support services	(37,840,168)	(33,407,190)	13.27 %
Non-instructional	(56,961)	(78,494)	(27.43) %
Sixteenth section	(214,993)	(169,057)	27.17 %
Interest on long-term liabilities	(3,601,126)	(4,030,996)	(10.66) %
<b>Total net (expense) revenue</b>	<b>\$ (102,454,222)</b>	<b>\$ (94,568,928)</b>	<b>8.34 %</b>

- Net cost of governmental activities (\$102,454,222 for 2014 and \$94,568,928 for 2013) was financed by general revenue, which is primarily made up of property taxes (\$60,069,625 for 2014 and \$57,879,455 for 2013) and state and federal revenues (\$50,696,479 for 2014 and \$47,860,235 for 2013). In addition, there was \$1,071,027 and \$1,244,684 in Sixteenth Section sources for 2014 and 2013, respectively.
- Investment earnings amounted to \$1,454,645 for 2014 and \$1,177,414 for 2013.

**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, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$92,288,378, an increase of \$1,210,414, which includes a prior period adjustment of \$4,094 and an increase in inventory of \$6,185. \$20,519,622, or 22% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been

MADISON COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014

assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$71,768,756, or 78% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$3,614,243. The fund balance of Other Governmental Funds showed an increase in the amount of \$822,163, which includes a prior period adjustment of (\$60) and an increase in inventory of \$6,185. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>	
IDEA Fund		no increase or decrease
Sixteenth Section Interest Fund	\$	1,119,229
District Construction Fund	\$	(4,345,221)

**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. Budget revisions made during the fiscal year were routine in nature and were insignificant when compared to total revenues and expenditures of the 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 supplementary information.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2014, the District's total capital assets were \$283,062,218, including land, construction in progress, school buildings, building improvements and other improvements, buses, other school vehicles, and furniture and equipment. This amount represents a gross increase of \$4,783,875 from 2013 due primarily to completed buildings, building improvements, and other improvements during the fiscal year and the purchase of various items of mobile equipment and furniture and equipment. Total accumulated depreciation as of June 30, 2014, was \$65,205,398, and total depreciation expense for the year was \$5,960,864, resulting in total net capital assets of \$217,856,820.

MADISON COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Table 4**  
**Capital Assets, Net of Accumulated Depreciation**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
Land	\$ 7,089,984	\$ 7,089,984	0.00 %
Construction in progress	969,835	2,947,898	(67.10) %
Buildings	194,303,453	195,346,913	(0.53) %
Building improvements	4,217,175	1,808,919	133.13 %
Improvements other than buildings	9,525,391	9,748,660	(2.29) %
Mobile equipment	897,285	1,014,749	(11.58) %
Furniture and equipment	853,697	993,158	(14.04) %
<b>Total</b>	<b><u>\$ 217,856,820</u></b>	<b><u>\$ 218,950,281</u></b>	<b>(0.50) %</b>

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

**Debt Administration.** At June 30, 2014, the District had \$99,429,055 in outstanding long-term debt, of which \$8,239,053 is due within one year. During the fiscal year, the District made principal payments totaling \$11,380,000 on outstanding long-term debt. The liability for compensated absences increased \$23,864 from the prior year.

**Table 5**  
**Outstanding Long-Term Debt**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 89,480,000	\$ 98,350,000	(9.02) %
Limited obligation bonds payable	4,120,000	4,905,000	(16.00) %
Three mill notes payable	2,065,000	3,790,000	(45.51) %
Qualified school construction bonds payable	2,883,000	2,883,000	0.00 %
Compensated absences payable	881,055	857,191	2.78 %
<b>Total</b>	<b><u>\$ 99,429,055</u></b>	<b><u>\$ 110,785,191</u></b>	<b>(10.25) %</b>

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

## CURRENT ISSUES

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

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

MADISON COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014

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

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Madison County School District, 117 Fourth Street, Flora, MS 39071.

## FINANCIAL STATEMENTS

**MADISON COUNTY SCHOOL DISTRICT**

**Statement of Net Position**  
**June 30, 2014**

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 84,635,049
Due from other governments	2,786,057
Accrued interest receivable	3,476
Other receivables, net	40,282
Inventories	57,517
Prepaid items	227,874
Restricted assets	6,292,094
Capital assets, non-depreciable:	
Land	7,089,984
Construction in progress	969,835
Capital assets, net of accumulated depreciation:	
Buildings	194,303,453
Building improvements	4,217,175
Improvements other than buildings	9,525,391
Mobile equipment	897,285
Furniture and equipment	853,697
Total Assets	311,899,169
 <b>Deferred Outflows of Resources</b>	
Deferred outflow from advance refunding of debt	2,057,512
Total Deferred Outflows of Resources	2,057,512
 <b>Liabilities</b>	
Accounts payable and accrued liabilities	1,753,971
Interest payable on long-term liabilities	702,619
Long-term liabilities, due within one year:	
Capital related liabilities	8,195,000
Non-capital related liabilities	44,053
Long-term liabilities, due beyond one year:	
Capital related liabilities	90,353,000
Capital related bond premium	2,792,663
Non-capital related liabilities	837,002
Total Liabilities	104,678,308
 <b>Net Position</b>	
Net investment in capital assets	120,166,037
Restricted for:	
Expendable:	
School-based activities	18,485,031
Debt service	18,823,840
Forestry improvements	200,631
Unemployment benefits	368,086
Non-expendable:	
Sixteenth section	1,943,577
Unrestricted	49,291,171
Total Net Position	\$ 209,278,373

**MADISON COUNTY SCHOOL DISTRICT**

**Statement of Activities  
For the Year Ended June 30, 2014**

**Exhibit B**

Functions/Programs	Expenses	Program Revenues		Governmental Activities	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions		
Governmental Activities:					
Instruction	\$ 67,921,245	\$ 1,653,654	\$ 5,526,617		\$ (60,740,974)
Support services	40,195,511	811	2,354,532		(37,840,168)
Non-instructional	5,333,814	2,454,203	2,822,650		(56,961)
Sixteenth section	248,361	33,368	-		(214,993)
Interest on long-term liabilities	3,601,126	-	-		(3,601,126)
Total Governmental Activities	\$ 117,300,057	\$ 4,142,036	\$ 10,703,799		\$ (102,454,222)

General Revenues:

Taxes:

General purpose levies	45,617,460
Debt purpose levies	14,452,165

Unrestricted grants and contributions:

State	50,696,479
Unrestricted investment earnings	1,454,645
Sixteenth section sources	1,071,027
Other	509,291

Total General Revenues	113,801,067
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Change in Net Position	11,346,845
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Net Position - Beginning, as previously reported	197,927,434
Prior Period Adjustments	4,094

Net Position - Beginning, as restated	197,931,528
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Net Position - Ending	\$ 209,278,373
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**MADISON COUNTY SCHOOL DISTRICT**

**Governmental Funds**

**Balance Sheet**

**Exhibit C**

**June 30, 2014**

	Major Funds					
	General Fund	IDEA Fund	Sixteenth Section Interest Fund	District Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and cash equivalents	\$ 30,924,177	\$ -	\$ 14,507,638	\$ 19,204,656	\$ 23,826,739	\$ 88,463,210
Cash with fiscal agents	-	-	-	-	441,678	441,678
Investments	-	-	-	-	2,022,255	2,022,255
Due from other governments	1,386,271	287,742	-	-	1,109,309	2,783,322
Accrued interest receivable	-	-	-	-	3,476	3,476
Other receivables, net	1,808	-	38,474	-	-	40,282
Due from other funds	475,370	-	-	-	-	475,370
Advance to other funds	-	-	-	-	246,260	246,260
Inventories	-	-	-	-	57,517	57,517
Prepaid items	227,874	-	-	-	-	227,874
Total assets	<u>\$ 33,015,500</u>	<u>\$ 287,742</u>	<u>\$ 14,546,112</u>	<u>\$ 19,204,656</u>	<u>\$ 27,707,234</u>	<u>\$ 94,761,244</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	\$ 1,272,460	\$ 98	\$ 38,952	\$ 301,336	\$ 141,125	\$ 1,753,971
Due to other funds	-	287,644	-	-	184,991	472,635
Advances from other funds	246,260	-	-	-	-	246,260
Total Liabilities	<u>1,518,720</u>	<u>287,742</u>	<u>38,952</u>	<u>301,336</u>	<u>326,116</u>	<u>2,472,866</u>
<b>Fund Balances:</b>						
<b>Nonspendable:</b>						
Inventory	-	-	-	-	57,517	57,517
Permanent fund principal	-	-	-	-	1,697,317	1,697,317
Advances	-	-	-	-	246,260	246,260
Prepaid items	227,874	-	-	-	-	227,874
<b>Restricted:</b>						
Debt service	-	-	-	-	19,526,459	19,526,459
Capital projects	-	-	-	-	1,592,368	1,592,368
Forestry improvement purposes	-	-	-	-	200,631	200,631
Unemployment benefits	-	-	-	-	368,086	368,086
Child nutrition	-	-	-	-	563,180	563,180
Sixteenth section interest	-	-	14,507,160	-	-	14,507,160
Other purposes	-	-	-	-	2,745,218	2,745,218
<b>Committed:</b>						
Capital projects and renovations	-	-	-	18,903,320	-	18,903,320
Other purposes	-	-	-	-	353,962	353,962
<b>Assigned:</b>						
Facility repair and renovations	4,264,390	-	-	-	-	4,264,390
Technology One to One	3,000,000	-	-	-	-	3,000,000
Technology upgrades and replacement	1,500,000	-	-	-	-	1,500,000
School activity funds	1,230,255	-	-	-	-	1,230,255
Textbooks	325,979	-	-	-	-	325,979
Other purposes	428,660	-	-	-	30,120	458,780
<b>Unassigned</b>	<u>20,519,622</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,519,622</u>
Total Fund Balances	<u>31,496,780</u>	<u>-</u>	<u>14,507,160</u>	<u>18,903,320</u>	<u>27,381,118</u>	<u>92,288,378</u>
Total Liabilities and Fund Balances	<u>\$ 33,015,500</u>	<u>\$ 287,742</u>	<u>\$ 14,546,112</u>	<u>\$ 19,204,656</u>	<u>\$ 27,707,234</u>	<u>\$ 94,761,244</u>

**MADISON COUNTY SCHOOL DISTRICT**

**Governmental Funds**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2014**

**Exhibit C-1**

**Total fund balances for governmental funds** \$ 92,288,378

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

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

Land	\$	7,089,984	
Construction in progress		969,835	
Buildings		249,003,909	
Building improvements		4,661,235	
Improvements other than buildings		13,409,520	
Mobile equipment		3,048,345	
Furniture and equipment		4,879,390	
Accumulated depreciation		<u>(65,205,398)</u>	217,856,820

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

General obligation bonds		(89,480,000)	
Limited obligation bonds		(4,120,000)	
Other bonds payable		(2,883,000)	
Notes payable		(2,065,000)	
Compensated absences		(881,055)	
Unamortized charges		2,057,512	
Unamortized premiums		(2,792,663)	
Accrued interest payable		<u>(702,619)</u>	(100,866,825)

**Net Position of governmental activities** \$ 209,278,373

**MADISON COUNTY SCHOOL DISTRICT**

**Governmental Funds**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended June 30, 2014**

**Exhibit D**

	Major Funds					Total Governmental Funds
	General Fund	IDEA Fund	Sixteenth Section Interest Fund	District Construction Fund	Other Governmental Funds	
<b>Revenues:</b>						
Local sources	\$ 48,235,258	\$ -	\$ -	\$ -	\$ 17,628,257	\$ 65,863,515
State sources	50,294,425	-	-	-	3,116,126	53,410,551
Federal sources	27,796	2,621,339	-	-	5,340,594	7,989,729
Sixteenth section sources	-	-	1,294,227	-	88,039	1,382,266
<b>Total Revenues</b>	<b>98,557,479</b>	<b>2,621,339</b>	<b>1,294,227</b>	<b>-</b>	<b>26,173,016</b>	<b>128,646,061</b>
<b>Expenditures:</b>						
Instruction	55,561,610	1,732,010	-	-	5,514,228	62,807,848
Support services	36,575,310	888,483	-	215,408	2,035,487	39,714,688
Noninstructional services	-	-	-	-	5,281,093	5,281,093
Sixteenth section	-	-	188,976	-	59,385	248,361
Facilities acquisition and construction	95,439	-	-	4,129,813	61,847	4,287,099
Debt service:						
Principal	-	-	-	-	11,380,000	11,380,000
Interest	11,390	-	-	-	3,697,347	3,708,737
Other	-	-	-	-	18,941	18,941
<b>Total Expenditures</b>	<b>92,243,749</b>	<b>2,620,493</b>	<b>188,976</b>	<b>4,345,221</b>	<b>28,048,328</b>	<b>127,446,767</b>
Excess (Deficiency) of Revenues over (under) Expenditures	6,313,730	846	1,105,251	(4,345,221)	(1,875,312)	1,199,294
<b>Other Financing Sources (Uses):</b>						
Insurance recovery	811	-	-	-	-	811
Payments held by escrow agent	-	-	-	-	231,751	231,751
Payment to QSCB debt escrow agent	-	-	-	-	(231,751)	(231,751)
Operating transfers in	8,568	-	8,978	-	2,958,915	2,976,461
Other financing sources	30	-	-	-	-	30
Operating transfers out	(2,708,896)	-	-	-	(267,565)	(2,976,461)
<b>Total Other Financing Sources (Uses)</b>	<b>(2,699,487)</b>	<b>-</b>	<b>8,978</b>	<b>-</b>	<b>2,691,350</b>	<b>841</b>
<b>Net Change in Fund Balances</b>	<b>3,614,243</b>	<b>846</b>	<b>1,114,229</b>	<b>(4,345,221)</b>	<b>816,038</b>	<b>1,200,135</b>
<b>Fund Balances:</b>						
July 1, 2013, as previously reported	27,882,537	-	13,387,931	23,248,541	26,558,955	91,077,964
Prior period adjustments	-	(846)	5,000	-	(60)	4,094
July 1, 2013, as restated	27,882,537	(846)	13,392,931	23,248,541	26,558,895	91,082,058
Increase (Decrease) in inventory	-	-	-	-	6,185	6,185
<b>June 30, 2014</b>	<b>\$ 31,496,780</b>	<b>\$ -</b>	<b>\$ 14,507,160</b>	<b>\$ 18,903,320</b>	<b>\$ 27,381,118</b>	<b>\$ 92,288,378</b>

**MADISON COUNTY SCHOOL DISTRICT**

**Governmental Funds**

**Reconciliation of the Governmental Funds Statement of Revenues,  
Expenditures and Changes in Fund Balances to the Statement of Activities  
For the Year Ended June 30, 2014**

**Exhibit D-1**

**Net change in fund balances - total governmental funds** \$ 1,200,135

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

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

Capital outlay	\$ 4,871,608	
Depreciation expense	<u>(5,960,864)</u>	(1,089,256)

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

(4,205)

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

Payments of debt principal	11,380,000	
Accrued interest payable	<u>85,999</u>	11,465,999

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

Change in compensated absences	(23,864)	
Change in inventory	6,185	
Amortization of deferred charges, premiums and discounts	<u>(208,149)</u>	(225,828)

**Change in Net Position of governmental activities** \$ 11,346,845

MADISON COUNTY SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities  
June 30, 2014

Exhibit E

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 3,273,971
Other receivables, net	<u>1,908</u>
Total Assets	<u>\$ 3,275,879</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 2,801,642
Due to other funds	2,735
Due to student clubs	<u>471,502</u>
Total Liabilities	<u>\$ 3,275,879</u>

**Madison County School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2014

# MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2014

## **Note 1 – Summary of Significant Accounting Policies**

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

### **A. Financial Reporting Entity**

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

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

### **B. Government-wide and Fund Financial Statements**

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

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

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net position results when constraints placed on net position use are either

# MADISON COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements For the Year Ended June 30, 2014

externally imposed or imposed by law through constitutional provisions or enabling legislation.

3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

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

The school district reports the following major governmental funds:

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

IDEA Fund - This is a special revenue fund that accounts for federal sources received and expenditures incurred to assist the District in providing a free appropriate public education to all children with disabilities.

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

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

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

# MADISON COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements For the Year Ended June 30, 2014

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

**Payroll Clearing Fund** - This fund is used as a clearing fund for payroll type transactions.  
**Student Club Funds** - These various funds account for the monies raised through school club activities and fund raisers and club related expenditures approved by the individual clubs.

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

Additionally, the school district reports the following fund types:

### GOVERNMENTAL FUNDS

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

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

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

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

### FIDUCIARY FUNDS

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

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

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting, as are the Fiduciary Fund financial statements.

# MADISON COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements For the Year Ended June 30, 2014

Revenues are recorded when earned, and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

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

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

# MADISON COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements For the Year Ended June 30, 2014

The effect of inter-fund 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.

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

### **D. Encumbrances**

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

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

#### **1. Cash, Cash equivalents and Investments**

##### Cash and cash equivalents

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

##### Investments

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

For accounting purposes, certificates of deposit are classified as investments if they

# MADISON COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements For the Year Ended June 30, 2014

have an original maturity greater than three months when acquired.

Investments for the district are reported at fair market value.

### 2. Receivables and payables

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

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

### 3. Due from Other Governments

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

### 4. Inventories and Prepaid Items

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

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

### 5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16<sup>th</sup> Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund. In addition, unspent proceeds from the issuance of long-term debt reported as cash and cash equivalents in a Capital Projects Fund is classified as restricted assets because

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2014

the funds are to be spent for specific purposes outlined in resolutions approved by the board, bond documentation, etc.

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

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

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The school district has

# MADISON COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements For the Year Ended June 30, 2014

incurred a deferred outflow which is presented as a deferred outflow from advance refunding of debt. See Note 16 for further details.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. There are no deferred inflows presented by the school district.

### 8. Compensated Absences

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

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

### 9. Long-term Liabilities and Bond Discounts/Premiums

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

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

### 10. Fund Balances

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

## MADISON COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements For the Year Ended June 30, 2014

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

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

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

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

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

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

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

# MADISON COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements For the Year Ended June 30, 2014

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

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

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

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

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

#### Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2014

governmental funds and fiduciary funds was \$88,463,210 and \$3,273,971, respectively. The carrying amount of deposits reported in the government-wide financial statements include amounts reported in cash and cash equivalents of \$84,635,049 and a portion of restricted assets in the amount of \$3,828,161 (see Note 4).

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution’s trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2014, none of the district’s bank balance of \$93,180,247 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of the school district’s cash with fiscal agents held by financial institutions reported in the governmental funds was \$441,678. The carrying amount of cash with fiscal agents was reported in the government-wide financial statements as a portion of restricted assets (see Note 4).

Investments

As of June 30, 2014, the district had the following investments.

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
U.S. Treasury SLGS Deposit	N/A	11 years	\$ 411,380
Fidelity Investment Bonds	Various	5 to 15 years	<u>1,610,875</u>
Total			<u><u>\$ 2,022,255</u></u>

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

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

*Custodial Credit Risk - Investments.* Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2014

does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2014, the district did not have any investments to which this would apply.

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

**Note 3 – Inter-fund Receivables, Payables and Transfers**

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

**A. Due From/To Other Funds**

Receivable Fund	Payable Fund	Amount
General Fund	IDEA Fund	\$ 287,644
	Other governmental funds	184,991
	Fiduciary funds	<u>2,735</u>
Total		<u>\$ 475,370</u>

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

**B. Advances To/From Other Funds**

Receivable Fund	Payable Fund	Amount
Sixteenth Section Principal Fund	General Fund	\$ 246,260
Total		<u>\$ 246,260</u>

Sixteenth section principal loans payable

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

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

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2014

Year Ending June 30	Principal	Interest	Total
2015	\$ 36,756	\$ 9,952	\$ 46,708
2016	38,254	8,454	46,708
2017	39,812	6,896	46,708
2018	41,435	5,273	46,708
2019	43,123	3,585	46,708
2020	46,880	1,828	48,708
Total	\$ 246,260	\$ 35,988	\$ 282,248

**C. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 2,708,896
Other governmental funds	General Fund	8,568
	Sixteenth Section Interest Fund	8,978
	Other governmental funds	250,019
Total		\$ 2,976,461

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

**Note 4 – Restricted Assets**

The restricted assets represent the cash and cash equivalents, cash with fiscal agent, and investment balances, totaling \$67,956, \$18,485, and \$1,610,875, respectively, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district’s programs. In addition, the restricted assets represent the cash and cash equivalents and cash with fiscal agent balances, totaling \$1,648,349 and \$417,688, respectively, of the MAEP Limited Obligation Bond Fund. Also, the restricted assets represent the cash and cash equivalents, cash with fiscal agent, and investment balances, totaling \$495,360, \$5,505, and \$411,380, respectively, of the QSCB Bond Retirement Fund. Also included in restricted assets is the cash and cash equivalents balance totaling \$1,616,496 of various capital project funds resulting from unspent proceeds of long-term debt at fiscal year end.

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2014

**Note 5 – Capital Assets**

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

	Balance 7/1/2013	Increases	Decreases	Completed Construction	Balance 6/30/2014
<b>Governmental Activities:</b>					
<u>Non-depreciable capital assets:</u>					
Land	\$ 7,089,984	\$	\$	\$	7,089,984
Construction-in-progress	2,947,898	4,287,099		(6,265,162)	969,835
Total non-depreciable capital assets	10,037,882	4,287,099	-	(6,265,162)	8,059,819
<u>Depreciable capital assets:</u>					
Buildings	245,332,309			3,671,600	249,003,909
Building improvements	2,067,673			2,593,562	4,661,235
Improvements other than buildings	13,100,161	309,359			13,409,520
Mobile equipment	2,991,261	57,084			3,048,345
Furniture and equipment	4,749,057	218,066	87,733		4,879,390
Total depreciable capital assets	268,240,461	584,509	87,733	6,265,162	275,002,399
<u>Less accumulated depreciation for:</u>					
Buildings	49,985,396	4,715,060			54,700,456
Building improvements	258,754	185,306			444,060
Improvements other than buildings	3,351,501	532,628			3,884,129
Mobile equipment	1,976,512	174,548			2,151,060
Furniture and equipment	3,755,899	353,322	83,528		4,025,693
Total accumulated depreciation	59,328,062	5,960,864	83,528	-	65,205,398
Total depreciable capital assets, net	208,912,399	(5,376,355)	4,205	6,265,162	209,797,001
Governmental activities capital assets, net	\$ 218,950,281	\$ (1,089,256)	\$ 4,205	\$ -	\$ 217,856,820

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 5,386,275
Support services	508,781
Non-instructional	65,808
Total depreciation expense - Governmental activities	\$ 5,960,864

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2014

Construction in progress is composed of:

	Spent to June 30, 2014	Remaining Commitment
<b>Governmental Activities:</b>		
AOC - Building Improvements	\$ 592,242	\$ 1,739,706
Mannsdale Upper Elementary	66,567	2,735,967
RHS - Track Improvements	311,026	854,955
Total construction in progress	<u>\$ 969,835</u>	<u>\$ 5,330,628</u>

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

**Note 6 – Long-term Liabilities**

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

	Balance 7/1/2013	Additions	Reductions	Balance 6/30/2014	Amounts due within one year
A. General obligation bonds payable	\$ 98,350,000	\$	8,870,000	\$ 89,480,000	\$ 6,285,000
B. Limited obligation bonds payable	4,905,000		785,000	4,120,000	815,000
C. Three mill notes payable	3,790,000		1,725,000	2,065,000	1,095,000
D. Qualified school construction bonds payable	2,883,000			2,883,000	-
E. Compensated absences payable	857,191	23,864		881,055	44,053
Total	<u>\$ 110,785,191</u>	<u>\$ 23,864</u>	<u>\$ 11,380,000</u>	<u>\$ 99,429,055</u>	<u>\$ 8,239,053</u>

**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:

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2014

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. General obligation refunding bonds, Series 2012	2.0%-5.0%	5/22/2012	4/15/2025	\$ 25,600,000	\$ 25,545,000
2. General obligation bonds, Series 2010	2.0%-2.75%	10/15/2010	4/15/2023	29,000,000	21,650,000
3. General obligation bonds, Series 2009	3.0%-3.625%	12/1/2009	12/1/2024	29,000,000	27,050,000
4. General obligation refunding bonds, Series 2008	3.0%-4.0%	12/17/2008	9/1/2018	8,005,000	3,815,000
5. General obligation refunding bonds, Series 2005-A	3.25%-5.0%	4/11/2005	9/1/2019	26,190,000	11,420,000
Total				<u>\$ 117,795,000</u>	<u>\$ 89,480,000</u>

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

1. Series 2012 issued on May 22, 2012:

Year Ending June 30	Principal	Interest	Total
2015	\$ 1,825,000	\$ 1,067,400	2,892,400
2016	1,895,000	1,012,650	2,907,650
2017	1,985,000	936,850	2,921,850
2018	2,095,000	837,600	2,932,600
2019	2,205,000	732,850	2,937,850
2020 – 2024	12,710,000	2,160,450	14,870,450
2025	2,830,000	113,200	2,943,200
Total	<u>\$ 25,545,000</u>	<u>\$ 6,861,000</u>	<u>32,406,000</u>

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

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2014

2. Series 2010 issued on October 15, 2010:

Year Ending June 30	Principal	Interest	Total
2015	\$ 1,000,000	\$ 526,063	\$ 1,526,063
2016	1,200,000	506,062	1,706,062
2017	2,000,000	482,062	2,482,062
2018	2,200,000	442,063	2,642,063
2019	2,750,000	395,312	3,145,312
2020 – 2023	12,500,000	901,875	13,401,875
Total	\$ 21,650,000	\$ 3,253,437	\$ 24,903,437

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

3. Series 2009 issued on December 1, 2009:

Year Ending June 30	Principal	Interest	Total
2015	\$ 850,000	\$ 922,500	\$ 1,772,500
2016	1,350,000	889,500	2,239,500
2017	1,600,000	845,250	2,445,250
2018	1,750,000	790,625	2,540,625
2019	2,250,000	720,625	2,970,625
2020 – 2024	17,250,000	1,999,375	19,249,375
2025	2,000,000	36,250	2,036,250
Total	\$ 27,050,000	\$ 6,204,125	\$ 33,254,125

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

4. Series 2008 issued on December 17, 2008:

Year Ending June 30	Principal	Interest	Total
2015	\$ 880,000	\$ 121,680	\$ 1,001,680
2016	840,000	93,320	933,320
2017	805,000	64,550	869,550
2018	770,000	35,430	805,430
2019	520,000	10,400	530,400
Total	\$ 3,815,000	\$ 325,380	\$ 4,140,380

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2014

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

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

Year Ending June 30	Principal	Interest	Total
2015	\$ 1,730,000	\$ 495,794	\$ 2,225,794
2016	1,790,000	430,800	2,220,800
2017	1,860,000	348,500	2,208,500
2018	1,950,000	253,250	2,203,250
2019	2,075,000	152,625	2,227,625
2020	2,015,000	50,375	2,065,375
Total	\$ 11,420,000	\$ 1,731,344	\$ 13,151,344

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

Total general obligation bond payments for all issues:

Year Ending June 30	Principal	Interest	Total
2015	\$ 6,285,000	\$ 3,133,437	\$ 9,418,437
2016	7,075,000	2,932,332	10,007,332
2017	8,250,000	2,677,212	10,927,212
2018	8,765,000	2,358,968	11,123,968
2019	9,800,000	2,011,812	11,811,812
2020 – 2024	44,475,000	5,112,075	49,587,075
2025	4,830,000	149,450	4,979,450
Total	\$ 89,480,000	\$ 18,375,286	\$ 107,855,286

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, 2014, the amount of outstanding bonded indebtedness was equal to 8% of property assessments as of October 1, 2013.

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2014

**B. Limited obligation bonds payable**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement refunding bonds, Series 2007	3.75%	12/1/2007	2/1/2018	\$ 7,460,000	\$ 4,120,000

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

Year Ending June 30	Principal	Interest	Total
2015	\$ 815,000	\$ 138,884	\$ 953,884
2016	845,000	107,759	952,759
2017	880,000	75,415	955,415
2018	1,580,000	41,852	1,621,852
Total	\$ 4,120,000	\$ 363,910	\$ 4,483,910

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

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

**C. Three mill notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax refunding notes, Series 2012	2.0%-3.0%	5/22/2012	6/1/2016	\$ 4,165,000	\$ 2,065,000

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

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2014

Year Ending June 30	Principal	Interest	Total
2015	\$ 1,095,000	\$ 61,950	\$ 1,156,950
2016	970,000	29,100	999,100
Total	<u>\$ 2,065,000</u>	<u>\$ 91,050</u>	<u>\$ 2,156,050</u>

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

**D. Qualified school construction bonds payable**

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

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

**E. Compensated absences payable**

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

**Note 7 – Prior Year Defeasance of Debt**

In prior years, the Madison County School District defeased certain general obligation 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 liabilities for the defeased bonds are not included in the district's financial statements. On June 30, 2014, \$0 of bonds outstanding are defeased.

**Note 8 – Other Commitments**

Commitments under construction contracts are described in Note 5.

Operating leases:

The school district has several operating leases for copiers.

Lease expenditures for the year ended June 30, 2014, amounted to \$339,702.

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2014

Future lease payments for these leases are as follows:

Year Ending June 30	Amount
2015	\$ 211,103
2016	173,675
2017	162,771
2018	73,067
2019	13,317
Total	<u>\$ 633,933</u>

Contracts:

The school district entered into a contract dated July 1, 2013 with First Student, Inc. to provide transportation services for the district. The term of this agreement begins July 1, 2013 and continues through June 30, 2017. The agreement may be extended by mutual written agreement for an additional four (4) year period, with the negotiation of new economic terms occurring on or before February 1 of the preceding school year. The contract is based on an estimated school year comprised of a minimum 180 days and 127 routes per day using various rates as stated in the contract based on the type and length of the routes. Transportation expenditures for student transportation under this contract for the year ended June 30, 2014, totaled \$6,003,915 for route service. An additional amount of \$186,141 was paid to First Student, Inc. for extra transportation services for field trips and athletic events and special programs not included in the above contract. Minimum future payments to be made under the contract are estimated as follows:

Year Ending June 30	Amount
2015	\$ 6,162,248
2016	6,325,062
2017	6,492,107
Total	<u>\$ 18,979,417</u>

**Note 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-

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2014

PERS.

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2014 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2014, 2013 and 2012 were \$9,094,102, \$7,796,662 and \$6,401,791, respectively, which equaled the required contributions for each year.

**Note 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
2015	\$	1,416,202
2016		1,384,733
2017		1,260,811
2018		1,259,535
2019		1,241,306
2020 – 2024		5,858,984
2025 – 2029		5,798,749
2030 – 2034		5,689,937
2035 – 2039		5,494,556
2040 – 2044		4,919,223
2045 – 2049		748,359
Thereafter		358,719
Total	\$	<u>35,431,114</u>

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2014

**Note 11 – Prior Period Adjustments**

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

Exhibit B - Statement of Activities

Explanation	Amount
To restate fund balance for reclassification of prior year expenditures, repayment of grant funds, and write-off of prior year receivable at the governmental fund level	\$ 4,094
Total	<u>\$ 4,094</u>

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

Fund	Explanation	Amount
IDEA Fund	To restate fund balance for reclassification of prior year expenditures from another fund	\$ (846)
Sixteenth Section Interest Fund	To restate fund balance for write-off of prior year receivable	5,000
Other governmental funds	To restate fund balance for reclassification of prior year expenditures and repayment of grant funds	(60)
Total		<u>\$ 4,094</u>

**Note 12 – Contingencies**

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

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

# MADISON COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements For the Year Ended June 30, 2014

### **Note 13 – Risk Management**

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### **Note 14 – Qualified School Construction Bonds**

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

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

The school district makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2014 was \$915,721, including accrued income of \$3,476. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2014

Year Ending June 30	Amount
2015	\$ 231,300
2016	231,300
2017	231,300
2018	231,300
2019	231,300
2020 – 2024	1,156,500
2025	231,277
Total	<u>\$ 2,544,277</u>

**Note 15 - Insurance loss recoveries**

The Madison County School District received \$811 in insurance loss recoveries related to a rim repair damages and a deductible refund during the 2013-2014 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and allocated to the support services expense function.

**Note 16 – Effect of Deferred Amounts on Net Position**

The net investment in capital assets net position amount of \$120,166,037 includes the effect of deferring the recognition of expenditures resulting from a deferred outflow from advance refunding of school district debt. The \$2,057,512 balance of the deferred outflow of resources at June 30, 2014 will be recognized as an expense and decrease the net investment in capital assets net position over the next 11 years.

**Note 17 – Subsequent Events**

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

## REQUIRED SUPPLEMENTARY INFORMATION

**MADISON COUNTY SCHOOL DISTRICT**

**Required Supplementary Information**

**Budgetary Comparison Schedule  
General Fund  
For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 44,123,139	\$ 48,235,258	\$ 48,235,258	\$ 4,112,119	\$ -
State sources	49,634,293	50,294,425	50,294,425	660,132	-
Federal sources	-	27,796	27,796	27,796	-
Total Revenues	<u>93,757,432</u>	<u>98,557,479</u>	<u>98,557,479</u>	<u>4,800,047</u>	<u>-</u>
<b>Expenditures:</b>					
Instruction	56,053,223	55,568,044	55,561,610	485,179	6,434
Support services	34,824,346	36,575,310	36,575,310	(1,750,964)	-
Facilities acquisition and construction	-	95,439	95,439	(95,439)	-
Debt service:					
Interest	-	11,390	11,390	(11,390)	-
Total Expenditures	<u>90,877,569</u>	<u>92,250,183</u>	<u>92,243,749</u>	<u>(1,372,614)</u>	<u>6,434</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>2,879,863</u>	<u>6,307,296</u>	<u>6,313,730</u>	<u>3,427,433</u>	<u>6,434</u>
<b>Other Financing Sources (Uses):</b>					
Insurance recovery	-	811	811	811	-
Operating transfers in	4,301,047	4,202,823	8,568	(98,224)	(4,194,255)
Other financing sources	-	-	30	-	30
Operating transfers out	(7,288,414)	(6,903,121)	(2,708,896)	385,293	4,194,225
Total Other Financing Sources (Uses)	<u>(2,987,367)</u>	<u>(2,699,487)</u>	<u>(2,699,487)</u>	<u>287,880</u>	<u>-</u>
Net Change in Fund Balances	<u>(107,504)</u>	<u>3,607,809</u>	<u>3,614,243</u>	<u>3,715,313</u>	<u>6,434</u>
Fund Balances:					
July 1, 2013	<u>27,729,337</u>	<u>27,729,337</u>	<u>27,882,537</u>	<u>-</u>	<u>153,200</u>
June 30, 2014	<u>\$ 27,621,833</u>	<u>\$ 31,337,146</u>	<u>\$ 31,496,780</u>	<u>\$ 3,715,313</u>	<u>\$ 159,634</u>

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

**MADISON COUNTY SCHOOL DISTRICT**

**Required Supplementary Information**

**Budgetary Comparison Schedule**

**IDEA Fund**

**For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ -	\$ 846	\$ -	\$ 846	\$ (846)
Federal sources	2,456,540	3,007,851	2,621,339	551,311	(386,512)
Total Revenues	2,456,540	3,008,697	2,621,339	552,157	(387,358)
<b>Expenditures:</b>					
Instruction	1,321,820	1,957,471	1,732,010	(635,651)	225,461
Support services	1,149,108	1,047,534	888,483	101,574	159,051
Noninstructional services	-	2,000	-	(2,000)	2,000
Total Expenditures	2,470,928	3,007,005	2,620,493	(536,077)	386,512
Excess (Deficiency) of Revenues over (under) Expenditures	(14,388)	1,692	846	16,080	(846)
Net Change in Fund Balances	(14,388)	1,692	846	16,080	(846)
Fund Balances:					
July 1, 2013, as previously reported	-	-	-	-	-
Prior period adjustments	-	(846)	(846)	(846)	-
July 1, 2013, as restated	-	(846)	(846)	(846)	-
June 30, 2014	\$ (14,388)	\$ 846	\$ -	\$ 15,234	\$ (846)

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

**MADISON COUNTY SCHOOL DISTRICT**

**Required Supplementary Information**

**Budgetary Comparison Schedule  
Sixteenth Section Interest Fund  
For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Sixteenth section sources	\$ 755,954	\$ 1,294,227	\$ 1,294,227	\$ 538,273	\$ -
Total Revenues	755,954	1,294,227	1,294,227	538,273	-
<b>Expenditures:</b>					
Sixteenth section	141,938	188,976	188,976	(47,038)	-
Total Expenditures	141,938	188,976	188,976	(47,038)	-
Excess (Deficiency) of Revenues over (under) Expenditures	614,016	1,105,251	1,105,251	491,235	-
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	-	8,978	8,978	8,978	-
Total Other Financing Sources (Uses)	-	8,978	8,978	8,978	-
Net Change in Fund Balances	614,016	1,114,229	1,114,229	500,213	-
<b>Fund Balances:</b>					
July 1, 2013, as previously reported	13,387,931	13,387,931	13,387,931	-	-
Prior period adjustments	5,000	5,000	5,000	-	-
July 1, 2013, as restated	13,392,931	13,392,931	13,392,931	-	-
June 30, 2014	\$ 14,006,947	\$ 14,507,160	\$ 14,507,160	\$ 500,213	\$ -

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

## Madison County School District

Notes to the Required Supplementary Information  
For the Year Ended June 30, 2014

### Budgetary Comparison Schedules

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

## SUPPLEMENTARY INFORMATION

**Madison County School District**  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2014

**Schedule 1**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<b><u>U. S. DEPARTMENT OF AGRICULTURE</u></b>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 472,005
National School Lunch Program	10.555	2,482,395
Total Child Nutrition Cluster		<u>2,954,400</u>
Total passed-through Mississippi Department of Education		<u>2,954,400</u>
<b>Total U. S. Department of Agriculture</b>		<u><u>2,954,400</u></u>
<b><u>U.S. Department of Defense</u></b>		
Direct Program:		
Reserve Officer's Training Corps	12.xxx	144,438
<b>Total U.S. Department of Defense</b>		<u><u>144,438</u></u>
<b><u>U. S. DEPARTMENT OF EDUCATION</u></b>		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	1,206,802
Career and Technical Education - Basic Grant to States	84.048	99,411
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	2,611
Twenty-First Century Community Learning Centers	84.287	482,992
English Language Acquisitions Grants	84.365	40,941
Improving Teacher Quality - State Grants	84.367	332,299
Subtotal		<u>2,165,056</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	2,646,524
Special Education - Preschool Grants	84.173	79,310
Total Special Education Cluster		<u>2,725,834</u>
Total passed-through the Mississippi Department of Education		<u>4,890,890</u>
<b>Total U. S. Department of Education</b>		<u><u>4,890,890</u></u>
<b>TOTAL FOR ALL FEDERAL AWARDS</b>		<u><u>\$ 7,989,728</u></u>

**Notes to Schedule**

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

**Madison County School District**

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
 For the Year Ended June 30, 2014

**Schedule 2**

	<b>Expenditures</b>	<b>Total</b>	<b>Instruction and Other Student Instructional Expenditures</b>	<b>General Administration</b>	<b>School Administration</b>	<b>Other</b>
Salaries and fringe benefits	\$ 77,607,028		64,920,701	1,640,816	6,201,963	4,843,548
Other	49,839,739		10,999,247	657,374	272,631	37,910,487
<b>Total</b>	<b>\$ 127,446,767</b>		<b>75,919,948</b>	<b>2,298,190</b>	<b>6,474,594</b>	<b>42,754,035</b>

Total number of students \* 12,553

Cost per student \$ 10,153 6,048 183 516 3,406

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

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

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

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

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

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

## OTHER INFORMATION

**MADISON COUNTY SCHOOL DISTRICT**

"UNAUDITED"

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

	2014	2013*	2012*	2011*
<b>Revenues:</b>				
Local sources	\$ 48,235,258	46,400,667	42,571,545	42,274,296
State sources	50,294,425	47,255,353	44,681,976	40,377,324
Federal sources	27,796	216,797	222,530	331,239
Total Revenues	<u>98,557,479</u>	<u>93,872,817</u>	<u>87,476,051</u>	<u>82,982,859</u>
<b>Expenditures:</b>				
Instruction	55,561,610	52,185,441	49,393,763	40,595,126
Support services	36,575,310	33,058,180	31,078,737	27,283,760
Facilities acquisition and construction	95,439	39,216	-	-
Debt service:				
Interest	11,390	10,285	-	23,451
Total Expenditures	<u>92,243,749</u>	<u>85,293,122</u>	<u>80,472,500</u>	<u>67,902,337</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>6,313,730</u>	<u>8,579,695</u>	<u>7,003,551</u>	<u>15,080,522</u>
<b>Other Financing Sources (Uses):</b>				
Insurance loss recoveries	811	8,998	4,000	37,000
Sale of other property	-	-	14,401	31,900
Operating transfers in	8,568	12,467	-	505,818
Other financing sources	30	821	-	67
Operating transfers out	(2,708,896)	(12,229,196)	(1,191,618)	(1,069,120)
Other financing uses	-	-	(210)	-
Total Other Financing Sources (Uses)	<u>(2,699,487)</u>	<u>(12,206,910)</u>	<u>(1,173,427)</u>	<u>(494,335)</u>
Net Change in Fund Balances	<u>3,614,243</u>	<u>(3,627,215)</u>	<u>5,830,124</u>	<u>14,586,187</u>
<b>Fund Balances:</b>				
July 1, Beginning, as previously reported	27,882,537	31,511,266	25,681,142	11,094,955
Prior period adjustment	-	(1,514)	-	-
July 1, Beginning, as restated	<u>27,882,537</u>	<u>31,509,752</u>	<u>25,681,142</u>	<u>11,094,955</u>
June 30,	<u>\$ 31,496,780</u>	<u>27,882,537</u>	<u>31,511,266</u>	<u>25,681,142</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**MADISON COUNTY SCHOOL DISTRICT**

"UNAUDITED"

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

	2014	2013*	2012*	2011*
<b>Revenues:</b>				
Local sources	\$ 65,863,515	63,666,313	61,354,430	61,401,892
State sources	53,410,551	50,148,794	47,269,085	42,984,766
Federal sources	7,989,729	8,136,759	7,879,381	12,368,179
Sixteenth section sources	1,382,266	1,504,261	1,054,648	1,453,059
Total Revenues	<u>128,646,061</u>	<u>123,456,127</u>	<u>117,557,544</u>	<u>118,207,896</u>
<b>Expenditures:</b>				
Instruction	62,807,848	59,412,916	54,459,181	50,421,382
Support services	39,714,688	35,984,935	38,146,613	32,106,705
Noninstructional services	5,281,093	5,139,680	4,839,707	4,660,396
Sixteenth section	248,361	225,333	212,630	171,476
Facilities acquisition and construction	4,287,099	4,917,316	8,266,601	36,625,160
Debt service:				
Principal	11,380,000	11,327,000	10,070,000	13,877,447
Interest	3,708,737	3,915,394	4,904,295	4,896,834
Debt issuance cost	-	-	45,081	-
Other	18,941	111,510	18,990	128,335
Total Expenditures	<u>127,446,767</u>	<u>121,034,084</u>	<u>120,963,098</u>	<u>142,887,735</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,199,294</u>	<u>2,422,043</u>	<u>(3,405,554)</u>	<u>(24,679,839)</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds of general obligation bonds	-	-	-	29,000,000
Proceeds of refunding bonds	-	-	29,765,000	-
Premiums on refunding bonds and notes	-	-	3,638,765	-
Insurance loss recoveries	811	8,998	4,000	37,000
Sale of other property	-	-	14,401	31,900
Payment to refunded bond escrow agent	-	-	(33,250,747)	-
Payments to an escrow agent	231,751	60,300	60,150	60,000
Transfer to escrow agent	(231,751)	(60,300)	(60,150)	(60,000)
Operating transfers in	2,976,461	12,499,142	5,232,112	2,809,381
Other financing sources	30	-	-	15,104
Operating transfers out	(2,976,461)	(12,499,142)	(5,232,112)	(2,809,381)
Other financing uses	-	821	(210)	-
Total Other Financing Sources (Uses)	<u>841</u>	<u>9,819</u>	<u>171,209</u>	<u>29,084,004</u>
Net Change in Fund Balances	<u>1,200,135</u>	<u>2,431,862</u>	<u>(3,234,345)</u>	<u>4,404,165</u>
<b>Fund Balances:</b>				
July 1, Beginning, as previously reported	91,077,964	88,627,380	91,870,966	87,483,005
Prior period adjustment	4,094	-	-	(9,950)
July 1, Beginning, as restated	<u>91,082,058</u>	<u>88,627,380</u>	<u>91,870,966</u>	<u>87,473,055</u>
Increase (Decrease) in inventory	6,185	18,722	(9,241)	(6,254)
June 30,	<u>\$ 92,288,378</u>	<u>91,077,964</u>	<u>88,627,380</u>	<u>91,870,966</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

## REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Madison County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Madison County School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Madison County School District's basic financial statements, and have issued our report thereon dated February 6, 2015.

**Internal Control Over Financial Reporting**

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

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
February 6, 2015

Certified Public Accountants

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Madison County School District

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

We have audited Madison County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on Madison County School District's major federal program for the year ended June 30, 2014. The Madison County School District's major federal program is identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

## Opinion on Each Major Federal Program

In our opinion, the Madison County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

## Report on Internal Control Over Compliance

Management of the Madison County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Madison County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

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

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

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC  
February 6, 2015

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Madison County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Madison County School District as of and for the year ended June 30, 2014, which collectively comprise the Madison County School District's basic financial statements and have issued our report thereon dated February 6, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

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

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

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

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
February 6, 2015

Certified Public Accountants

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## Madison County School District

### Schedule of Findings and Questioned Costs For the Year Ended June 30, 2014

#### Section I: Summary of Auditor's Results

##### Financial Statements:

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

##### Federal Awards:

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

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553 & 10.555	Child Nutrition Cluster

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

#### Section II: Financial Statement Findings

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

#### Section III: Federal Award Findings and Questioned Costs

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