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MADISON COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2016

MADISON COUNTY SCHOOL DISTRICT
TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	5
MANAGEMENT'S DISCUSSION AND ANALYSIS	9
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Exhibit A - Statement of Net Position	19
Exhibit B - Statement of Activities	21
Governmental Funds Financial Statements	
Exhibit C - Balance Sheet	23
Exhibit C-1 - Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	25
Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances	27
Exhibit D-1 - Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	29
Fiduciary Funds Financial Statements	
Exhibit E - Statement of Fiduciary Assets and Liabilities	31
Notes to the Financial Statements	33
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund	57
Budgetary Comparison Schedule - School Food Service Fund	59
Budgetary Comparison Schedule - IDEA Part B Fund	61
Schedule of the District's Proportionate Share of the Net Pension Liability	63
Schedule of District Contributions	65
Notes to the Required Supplementary Information	67
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	71
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds	73
OTHER INFORMATION	
Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years	77
Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years	79
REPORTS ON INTERNAL CONTROL AND COMPLIANCE	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.	83
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	85
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	89
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	93
CORRECTIVE ACTION PLAN	97

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INDEPENDENT AUDITOR'S REPORT

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SUZANNE E. SMITH, CPA, PLLC
AUDITING AND ACCOUNTING SERVICES
sesmithcpa@msn.com

INDEPENDENT AUDITOR'S REPORT

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, 2016, 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Madison County School District, as of June 30, 2016, 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.

POST OFFICE BOX 102
BRANDON, MISSISSIPPI 39043
PHONE: 601-938-5717

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions on pages 9-16, 57-61, 63, and 65, respectively, 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

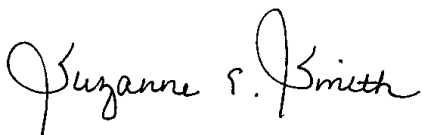
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Madison County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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 Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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 January 13, 2017, 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.



Suzanne E. Smith, CPA, PLLC
Brandon, MS
January 13, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

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MADISON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

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, 2016. 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 2016 increased \$2,747,227, which represents a 2.50% increase from fiscal year 2015. Total net position for 2015 decreased \$102,391,131, including a prior period adjustment of (\$114,965,617), which represents a 49% decrease from fiscal year 2014.
- General revenues amounted to \$122,931,927 and \$124,303,301, or 89% and 90% of all revenues for fiscal years 2016 and 2015, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$15,506,633, or 11% of total revenues for 2016, and \$14,280,507, or 10% of total revenues for 2015.
- The District had \$135,691,333 and \$126,009,322 in expenses for fiscal years 2016 and 2015; only \$15,506,633 for 2016 and \$14,280,507 for 2015 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$122,931,927 for 2016 and general revenues of \$124,303,301 for 2015 were adequate to provide for these programs.
- Among major funds, the General Fund had \$113,480,775 in revenues and \$102,865,463 in expenditures for 2016, and \$105,812,411 in revenues and \$106,771,718 in expenditures in 2015. The General Fund's fund balance increased by \$3,648,854 from 2015 to 2016, and increased by \$12,162,044, including a prior period adjustment of \$60,100 and a reclassification of fund type of \$14,507,160, from 2014 to 2015.
- Capital assets, net of accumulated depreciation, increased by \$3,148,548 for 2016 and increased by \$20,343,961 for 2015. The increase for 2016 was due primarily to the increase in construction projects in progress.
- Long-term debt, including compensated absences payable, decreased by \$8,920,313 for 2016 and decreased by \$7,964,073 for 2015. This decrease for 2016 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$30,313 for 2016 and increased by \$230,927 for 2015.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

The Statement of Net Position presents information on all the District's nonfiduciary assets, deferred outflows, liabilities, and deferred inflows, with the differences between them reported as "net position." Over

MADISON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

time, increases or decreases in the District's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

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

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

Fund Financial Statements

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

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

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

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

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

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:

MADISON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules, Schedule of the District's Proportionate Share of the New Pension Liability, and Schedule of District Contributions 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 Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Assets and deferred outflows of resources exceeded Liabilities and deferred inflows of resources by \$109,634,469 as of June 30, 2016.

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.

MADISON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

Table 1 presents a summary of the District's net position at June 30, 2016 and June 30, 2015.

Table 1
Condensed Statement of Net Position

	June 30, 2016	June 30, 2015	Percentage Change
Current assets	\$ 69,273,118	\$ 71,326,971	(2.88) %
Restricted assets	6,345,519	5,993,362	5.88 %
Capital assets, net	241,349,329	238,200,781	1.32 %
Total assets	316,967,966	315,521,114	0.46 %
 Deferred outflows of resources	 35,728,743	 18,398,250	 94.20 %
Current liabilities	1,674,485	1,792,451	(6.58) %
Long-term debt outstanding	84,773,266	93,975,611	(9.79) %
Net pension liability	153,108,985	114,645,371	33.55 %
Total liabilities	239,556,736	210,413,433	13.85 %
 Deferred inflows of resources	 3,505,504	 16,618,689	 (78.91) %
 Net position:			
Net investment in capital assets	160,426,512	148,584,111	7.97 %
Restricted	23,012,874	26,256,048	(12.35) %
Unrestricted	(73,804,917)	(67,952,917)	(8.61) %
Total net position	\$ 109,634,469	\$ 106,887,242	2.57 %

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	(\$73,804,917)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	122,460,295
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 48,655,378</u>

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

- Increase in net capital assets in the amount of \$3,148,548.
- The principal retirement of \$12,390,000 of long-term debt.
- The increase in net pension liability of \$38,463,614.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2016 and June 30, 2015 were \$138,438,560 and \$138,583,808, respectively. The total cost of all programs and services was \$135,691,333 for 2016 and \$126,009,322 for 2015.

MADISON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2016 and June 30, 2015.

Table 2
Changes in Net Position

	Year Ended June 30, 2016	Year Ended June 30, 2015	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 4,318,231	\$ 4,034,780	7.03 %
Operating grants and contributions	11,179,407	10,245,727	9.11 %
Capital grants and contributions	8,995	-	N/A %
General revenues:			
Property taxes	64,564,465	62,486,087	3.33 %
Grants and contributions not restricted	55,536,422	52,334,273	6.12 %
Investment earnings	247,600	183,038	35.27 %
Sixteenth section sources	1,294,244	1,356,464	(4.59) %
Other	1,289,196	7,943,439	(83.77) %
Total revenues	138,438,560	138,583,808	(0.10) %
Expenses:			
Instruction	67,412,780	64,994,571	3.72 %
Support services	41,865,859	43,021,646	(2.69) %
Non-instructional	5,232,064	4,917,077	6.41 %
Sixteenth section	195,757	238,266	(17.84) %
Pension expense	18,019,293	9,580,218	88.09 %
Interest on long-term liabilities	2,965,580	3,257,544	(8.96) %
Total expenses	135,691,333	126,009,322	7.68 %
Increase (Decrease) in net position	2,747,227	12,574,486	(78.15) %
Net Position, July 1, as previously reported	106,887,242	209,278,373	(48.93) %
Prior Period Adjustment	-	(114,965,617)	100.00 %
Net Position, July 1, as restated	106,887,242	94,312,756	13.33 %
Net Position, June 30	\$ 109,634,469	\$ 106,887,242	2.57 %

Governmental activities

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

MADISON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2016	2015	
Instruction	\$ 67,412,780	\$ 64,994,571	3.72 %
Support services	41,865,859	43,021,646	(2.69) %
Non-instructional	5,232,064	4,917,077	6.41 %
Sixteenth section	195,757	238,266	(17.84) %
Pension expense	18,019,293	9,580,218	88.09 %
Interest on long-term liabilities	2,965,580	3,257,544	(8.96) %
Total expenses	\$ 135,691,333	\$ 126,009,322	7.68 %

	Net (Expense) Revenue		Percentage Change
	2016	2015	
Instruction	\$ (61,170,623)	\$ (58,992,045)	(3.69) %
Support services	(38,227,363)	(40,158,394)	4.81 %
Non-instructional	369,689	447,762	(17.44) %
Sixteenth section	(171,530)	(188,376)	8.94 %
Pension expense	(18,019,293)	(9,580,218)	(88.09) %
Interest on long-term liabilities	(2,965,580)	(3,257,544)	8.96 %
Total net (expense) revenue	\$ (120,184,700)	\$ (111,728,815)	(7.57) %

- Net cost of governmental activities [(\$120,184,700) for 2016 and (\$111,728,815) for 2015] was financed by general revenue, which is primarily made up of property taxes (\$64,564,465 for 2016 and \$62,486,087 for 2015) and state and federal revenues (\$55,536,422 for 2016 and \$52,334,273 for 2015).
- Investment earnings amounted to \$247,600 for 2016 and \$183,038 for 2015.

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 \$74,511,096, a decrease of \$1,657,185, which includes an increase in inventory of \$79,192. \$27,542,744 or 37% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$46,968,352 or 63% 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.

MADISON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

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 \$3,648,854. The fund balance of Other Governmental Funds showed a decrease in the amount of \$5,176,493. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
School Food Service Fund	\$ (323,017)
IDEA Part B Fund	No change
District Construction Fund	193,471

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2016, the District's total capital assets were \$316,249,453, including land, school buildings, building improvements, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$6,946,994 from 2015. Total accumulated depreciation as of June 30, 2016, was \$74,900,124, and total depreciation expense for the year was \$6,456,434, resulting in total net capital assets of \$241,349,329.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage Change</u>
Land	\$ 7,089,984	7,089,984	0.00 %
Construction-in-progress	13,582,833	8,813,765	54.11 %
Buildings	199,975,177	205,263,474	(2.58) %
Building improvements	9,093,704	6,515,564	39.57 %
Improvements other than buildings	10,198,096	9,112,728	11.91 %
Mobile equipment	579,121	761,351	(23.94) %
Furniture and equipment	830,414	643,915	28.96 %
Total	<u>\$ 241,349,329</u>	<u>\$ 238,200,781</u>	1.32 %

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

MADISON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

Debt Administration. At June 30, 2016, the District had \$82,544,669 in outstanding long-term debt, of which \$9,184,083 is due within one year. The liability for compensated absences decreased \$30,313 from the prior year. Principal payments of \$12,390,000 were made during the year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 76,120,000	\$ 83,195,000	(8.50) %
Limited obligation bonds payable	2,460,000	3,305,000	(25.57) %
Three mill notes payable	-	970,000	(100.00) %
Qualified school construction bonds payable	2,883,000	2,883,000	0.00 %
Compensated absences payable	1,081,669	1,111,982	(2.73) %
Total	<u>\$ 82,544,669</u>	<u>\$ 91,464,982</u>	<u>(9.75) %</u>

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 plans to continue its sound fiscal management to meet the challenges and to embrace the opportunities of the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

FINANCIAL STATEMENTS

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MADISON COUNTY SCHOOL DISTRICT

Statement of Net Position
June 30, 2016

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 65,643,096
Due from other governments	3,261,189
Other receivables, net	89,355
Inventories	163,408
Prepaid items	116,070
Restricted assets	6,345,519
Capital assets, net of accumulated depreciation	241,349,329
Total Assets	<u>316,967,966</u>
Deferred Outflows of Resources	
Pensions	34,154,194
Advance refunding of debt - unamortized charges	1,574,549
Total deferred inflows of resources	<u>35,728,743</u>
Liabilities	
Accounts payable and accrued liabilities	1,107,541
Interest payable on long-term liabilities	566,944
Long-term liabilities, due within one year:	
Capital related liabilities	9,130,000
Non-capital related liabilities	54,083
Long-term liabilities, due beyond one year:	
Capital related liabilities	72,333,000
Capital related bond premiums	2,228,597
Non-capital related liabilities	1,027,586
Net pension liability	153,108,985
Total Liabilities	<u>239,556,736</u>
Deferred Inflows of Resources	
Pensions	3,505,504
Total deferred inflows of resources	<u>3,505,504</u>
Net Position	
Net investment in capital assets	160,426,512
Restricted for:	
Expendable:	
School-based activities	4,444,314
Debt service	16,147,853
Forestry improvements	182,946
Unemployment benefits	110,156
Non-expendable:	
Sixteenth section	2,127,605
Unrestricted	(73,804,917)
Total Net Position	<u>\$ 109,634,469</u>

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

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MADISON COUNTY SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2016

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 67,412,780	1,753,254	4,488,903		(61,170,623)
Support services	41,865,859	18,318	3,620,178		(38,227,363)
Non-instructional	5,232,064	2,522,432	3,070,326	8,995	369,689
Sixteenth section	195,757	24,227			(171,530)
Pension expense	18,019,293				(18,019,293)
Interest on long-term liabilities	2,965,580				(2,965,580)
Total Governmental Activities	<u>\$ 135,691,333</u>	<u>4,318,231</u>	<u>11,179,407</u>	<u>8,995</u>	<u>(120,184,700)</u>
General Revenues:					
Taxes:					
General purpose levies					54,586,544
Debt purpose levies					9,977,921
Unrestricted grants and contributions:					
State					55,299,267
Federal					237,155
Unrestricted investment earnings					247,600
Sixteenth section sources					1,294,244
Other					1,289,196
Total General Revenues					<u>122,931,927</u>
Change in Net Position					<u>2,747,227</u>
Net Position - Beginning					<u>106,887,242</u>
Net Position - Ending					<u>\$ 109,634,469</u>

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

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MADISON COUNTY SCHOOL DISTRICT

Governmental Funds

**Balance Sheet
June 30, 2016**

Exhibit C

	Major Funds					Total
	General	School Food	IDEA Part B	District	Other	Total
	Fund	Service	Fund	Construction	Governmental	Governmental
		Fund		Fund	Funds	Funds
Assets						
Cash and cash equivalents	\$ 44,956,837	744,415		5,114,279	18,089,182	68,904,713
Cash with fiscal agents					495,168	495,168
Investments					2,588,734	2,588,734
Due from other governments	1,982,684		307,023		971,482	3,261,189
Accrued interest receivable					26,564	26,564
Other receivables, net	12,171					12,171
Due from other funds	838,661					838,661
Advances to other funds					171,249	171,249
Inventories		163,408				163,408
Prepaid items	116,070					116,070
Total assets	47,906,423	907,823	307,023	5,114,279	22,342,379	76,577,927
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	427,496	136,629	1,964	506,132	35,320	1,107,541
Due to other funds		267,162	305,059		215,820	788,041
Advances from other funds	171,249					171,249
Total Liabilities	598,745	403,791	307,023	506,132	251,140	2,066,831
Fund Balances:						
Nonspendable:						
Inventory		163,408				163,408
Prepaid items	116,070					116,070
Advances					171,249	171,249
Permanent fund principal					1,956,356	1,956,356
Restricted:						
Debt service					16,714,797	16,714,797
Capital improvements					1,194,231	1,194,231
Forestry improvement purposes					182,946	182,946
Grant activities					1,069,173	1,069,173
Unemployment benefits					110,156	110,156
Child nutrition		340,624				340,624
Committed:						
Building improvements				4,608,147		4,608,147
Other purposes					281,138	281,138
Assigned:						
Facility repair and renovations	12,122,420					12,122,420
Technology	5,926,950					5,926,950
Student activities	1,142,200					1,142,200
Textbooks	295,887					295,887
Other instructional purposes	161,407				8,951	170,358
Unemployment benefits					402,242	402,242
Unassigned	27,542,744					27,542,744
Total Fund Balances	47,307,678	504,032	0	4,608,147	22,091,239	74,511,096
Total Liabilities and Fund Balances	\$ 47,906,423	907,823	307,023	5,114,279	22,342,379	76,577,927

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

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MADISON COUNTY SCHOOL DISTRICT

Governmental Funds

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2016**

Exhibit C-1

Total fund balances for governmental funds \$ 74,511,096

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	13,582,833	
Buildings	262,531,448	
Building improvements	10,236,407	
Improvements other than buildings	15,224,574	
Mobile equipment	2,225,945	
Furniture and equipment	5,358,262	
Accumulated depreciation	<u>(74,900,124)</u>	241,349,329

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

Net pension liability	(153,108,985)	
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Deferred outflows and inflows related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions	34,154,194	
Deferred inflows of resources related to pensions	<u>(3,505,504)</u>	(122,460,295)

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

General obligation bonds	(76,120,000)	
Limited obligation bonds	(2,460,000)	
Qualified school construction bonds payable	(2,883,000)	
Compensated absences	(1,081,669)	
Unamortized charges	1,574,549	
Unamortized bond premiums	(2,228,597)	
Accrued interest payable	<u>(566,944)</u>	(83,765,661)

Net Position of governmental activities	<u><u>\$ 109,634,469</u></u>
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The notes to the financial statements are an integral part of this statement.

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MADISON COUNTY SCHOOL DISTRICT

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

Exhibit D

For the Year Ended June 30, 2016

	Major Funds				Other Governmental	Total Governmental
	General Fund	School Food Service Fund	IDEA Part B Fund	District Construction Fund	Funds	Funds
Revenues:						
Local sources	\$ 56,998,919	2,468,413			10,472,975	69,940,307
State sources	54,894,968	58,987			3,061,357	58,015,312
Federal sources	273,596	3,314,345	2,672,080		2,449,491	8,709,512
Sixteenth section sources	1,313,292				117,624	1,430,916
Total Revenues	113,480,775	5,841,745	2,672,080	0	16,101,447	138,096,047
Expenditures:						
Instruction	62,395,145		1,009,691		6,025,684	69,430,520
Support services	40,003,027	540,019	1,662,389	311,657	1,579,253	44,096,345
Noninstructional services		5,436,773			9,448	5,446,221
Sixteenth section	166,576				29,181	195,757
Facilities acquisition and construction	292,261			8,344,872	1,129,380	9,766,513
Debt service:						
Principal					12,390,000	12,390,000
Interest	8,454				3,070,591	3,079,045
Other					17,047	17,047
Total Expenditures	102,865,463	5,976,792	2,672,080	8,656,529	24,250,584	144,421,448
Excess (Deficiency) of Revenues over (under) Expenditures	10,615,312	(135,047)	0	(8,656,529)	(8,149,137)	(6,325,401)
Other Financing Sources (Uses):						
Proceeds of bonds and notes	3,500,000					3,500,000
Insurance loss recoveries	18,318					18,318
Payments held by escrow agent					223,146	223,146
Payment to QSCB debt escrow agent					(223,146)	(223,146)
Sale of transportation equipment	17,888					17,888
Sale of other property				1,050,000		1,050,000
Operating transfers in	273,353			7,800,000	2,978,835	11,052,188
Other financing sources	3,216					3,216
Operating transfers out	(10,778,835)	(267,162)			(6,191)	(11,052,188)
Other financing uses	(398)					(398)
Total Other Financing Sources (Uses)	(6,966,458)	(267,162)	0	8,850,000	2,972,644	4,589,024
Net Change in Fund Balances	3,648,854	(402,209)	0	193,471	(5,176,493)	(1,736,377)
Fund Balances:						
July 1, 2015	43,658,824	827,049	0	4,414,676	27,267,732	76,168,281
Increase (Decrease) in reserve for inventory		79,192				79,192
June 30, 2016	\$ 47,307,678	504,032	0	4,608,147	22,091,239	74,511,096

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

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, 2016**

Exhibit D-1

Net change in fund balances - total governmental funds \$ (1,736,377)

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	\$ 10,352,432	
Depreciation expense	<u>(6,456,434)</u>	3,895,998
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.		
		(747,450)
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 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:		
Bonds and notes issued	(3,500,000)	
Payments of debt principal	12,390,000	
Accrued interest payable	<u>73,455</u>	8,963,455
4. Some items relating to pensions and 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 the governmental funds. These activities include:		
Pension expense - current year	(18,019,293)	
Deferred outflows - pensions	<u>10,240,838</u>	(7,778,455)
5. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:		
Change in compensated absences	30,313	
Change in inventory reserve	79,192	
Amortization of charges	(241,482)	
Amortization of bond premiums	<u>282,032</u>	150,055
Rounding		<u>1</u>
Change in Net Position of governmental activities		<u><u>\$ 2,747,227</u></u>

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

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MADISON COUNTY SCHOOL DISTRICT

Fiduciary Funds

**Statement of Fiduciary Assets and Liabilities
June 30, 2016**

Exhibit E

	Agency Funds
Assets	
Cash and cash equivalents	\$ 4,133,857
Cash with fiscal agents	45,000
Other receivables	1,945
Total Assets	<u>4,180,802</u>
Liabilities	
Accounts payable and accrued liabilities	3,659,445
Due to other funds	50,620
Due to student clubs	470,737
Total Liabilities	<u>\$ 4,180,802</u>

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

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MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2016

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 citizens of each defined county unit.

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, deferred outflows, liabilities, and deferred inflows with the difference reported as net position. Net position is reported in three categories:

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2016

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.

School Food Service Fund – This is a special revenue fund that accounts for the revenues and related expenditures of the Child Nutrition cluster of federal awards.

IDEA Part B Fund – This is a special revenue fund that accounts for the revenues and related expenditures of the federal special education grant.

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

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

The school district also reports fiduciary funds which focus on net position. The District's fiduciary funds include the following:

Student Club Funds – These various funds account for the monies raised through student club activities.

Payroll Clearing Fund – This fund is used to report the payroll resources held by the district in a purely custodial capacity (assets and liabilities) and does not involve the measurement of results of operations.

Accounts Payable Clearing Fund – This fund is used to report the resources of paid claims held by the district in a purely custodial capacity (assets and liabilities) and does not involve the measurement of results of operations.

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.

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2016

FIDUCIARY FUNDS

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

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

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

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

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

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

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

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

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

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

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2016

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. Encumbrances outstanding at year-end are not reported within committed or assigned fund balances.

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

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.

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2016

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.

Prepaid items, such as prepaid insurance, are not reported for governmental fund types since the costs of such items are accounted for as expenditures in the period of acquisition.

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 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

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:

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

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

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2016

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 periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Deferred outflows – Pension contributions

Deferred outflows – Deferred amounts on refunding

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 periods and so will not be recognized as an inflow of resources (revenue) until that time.

Deferred inflows – Pension Settlements to Plan Members

See Note 8 for further details.

8. Compensated Absences

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

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

9. Long-term Liabilities and Bond Discounts/Premiums

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

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

10. Pensions

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

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2016

11. Fund Balances

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

Governmental fund balance is classified as 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 the approval of the type and amount of the commitment through a formal order of the school board. Currently the district has committed \$4,608,147 for capital improvements and \$281,138 for other instructional purposes.

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 business manager pursuant to authorization established by formal school board 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.

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

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2016

State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$68,904,713 and \$4,133,857, respectively.

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. 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. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district.

Cash with Fiscal Agents

The carrying amount of the school district's cash with fiscal agents reported in the governmental funds was \$495,168.

Investments

As of June 30, 2016, 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	9 years	\$ 870,880
Asset backed federal securities	Unrated	1 to 5 years	151,057
		6 to 10 years	166,768
		11 to 15 years	186,196
Corporate Bonds	AA+	1 to 5 years	271,330
Municipal Bonds	AA	1 to 5 years	596,415
		6 to 10 years	306,029
U. S. Treasury/Agency Securities	AA+	1 to 5 years	40,059
			\$ <u><u>2,588,734</u></u>

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2016

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. The investments in the Hancock Horizon Treasury Securities Money Market Mutual Funds are uninsured and unregistered and are not backed by the full faith and credit of the federal government.

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	School Food Service Fund	\$ 267,162
	IDEA Part B Fund	305,059
	Other Governmental Funds	215,820
	Fiduciary Funds	50,620
		<u>\$ 838,661</u>

The amounts represent inter-fund balances created by loans from the General Fund to special revenue funds to provide adequate cash flow for those funds operating on an expenditure reimbursement basis. Cash is loaned to the funds for operational purposes, and the loans are repaid after reimbursement for grant expenditures is received. Also represented are interest earnings on fiduciary clearing funds (fiduciary funds) and other adjustments due to the general fund.

B. Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
Other Governmental Funds	General Fund	<u>\$ 171,249</u>

Sixteenth section principal loans payable

Note: The sixteenth section principle 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 Fund) 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 Balance

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2016

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

<u>Year Ending</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30</u>				
2017	\$	39,812	6,896	46,708
2018		41,435	5,273	46,708
2019		43,123	3,585	46,708
2020		46,879	1,828	48,707
	\$	<u>171,249</u>	<u>17,582</u>	<u>188,831</u>

C. Inter-fund Transfers

<u>Transfers out</u>	<u>Transfers in</u>	<u>Amount</u>
General Fund	District Construction Fund	\$ 7,800,000
	Other governmental funds	2,978,835
School Food Service Fund	General Fund	267,162
Other governmental funds	General Fund	6,191
		<u>\$ 11,052,188</u>

Transfers represent indirect costs from special revenue funds to the General Fund and operational transfers from the General Fund to other governmental funds and from other governmental funds to the General Fund.

Note 4 – Restricted Assets

The restricted assets represent the cash and cash equivalents balance (\$193,207), the cash with fiscal agents balance (\$30,628), and the investments balance (\$1,717,854) of the 16th 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 with fiscal agents balance (\$1,034) of the 2012 Refunding Limited Tax Notes Fund; cash and cash equivalents balance (\$1,648,348) and cash with fiscal agents balance (\$453,420) of the MAEP Limited Obligation Bond Fund; Cash and cash equivalents balance (\$225,831), cash with fiscal agents balance (\$10,086), and investments balance (\$870,880) of the 2010 QSCB Retirement Fund, all of which are legally restricted for debt retirement and may not be used for purposes that support the programs of the district. Also included in restricted assets are cash and cash equivalents (\$1,194,231), of 2010 Bond Issue Fund resulting from unspent proceeds of long-term debt at fiscal year-end. Total restricted assets are \$6,345,519.

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2016

Note 5 – Capital Assets

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

	Balance 7/1/2015	Increases	Decreases	Completed Construction	Balance 6/30/2016
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 7,089,984				7,089,984
Construction-in-progress	8,813,765	9,766,513		(4,997,445)	13,582,833
Total non-depreciable capital assets	15,903,749	9,766,513	-	(4,997,445)	20,672,817
<u>Depreciable capital assets:</u>					
Buildings	264,589,315		2,452,778	394,911	262,531,448
Building improvements	7,250,800			2,985,607	10,236,407
Improvements other than buildings	13,533,976	73,671		1,616,927	15,224,574
Mobile equipment	3,059,993	59,951	893,999	-	2,225,945
Furniture and equipment	4,964,626	452,297	58,661		5,358,262
	<u>293,398,710</u>	<u>585,919</u>	<u>3,405,438</u>	<u>4,997,445</u>	<u>295,576,636</u>
<u>Less accumulated depreciation for:</u>					
Buildings	59,325,841	5,026,497	1,796,067		62,556,271
Building improvements	735,236	407,467			1,142,703
Improvements other than buildings	4,421,248	605,230			5,026,478
Mobile equipment	2,298,642	152,029	803,847		1,646,824
Furniture and equipment	4,320,711	265,211	58,074		4,527,848
Total accumulated depreciation	<u>71,101,678</u>	<u>6,456,434</u>	<u>2,657,988</u>	<u>-</u>	<u>74,900,124</u>
Total depreciable capital assets, net	<u>222,297,032</u>	<u>(5,870,515)</u>	<u>747,450</u>	<u>4,997,445</u>	<u>220,676,512</u>
net	<u><u>\$ 238,200,781</u></u>	<u><u>3,895,998</u></u>	<u><u>747,450</u></u>	<u><u>-</u></u>	<u><u>241,349,329</u></u>

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental Activities:	
Instruction	\$ 5,571,056
Support services	848,027
Non-instructional	37,351
Total depreciation expense	<u><u>\$ 6,456,434</u></u>

Construction-in-progress is composed of:

	Spent to June 30, 2015	Remaining Commitment
Governmental Activities:		
New Bus/Operations/Maintenance Center	\$ 90,049	\$ 2,403,807
MAE-HVAC Upgrade	239,976	546,186
Mannsdale Upper Elementary	13,252,808	1,136,776
	<u><u>\$ 13,582,833</u></u>	<u><u>\$ 4,086,769</u></u>

Construction projects included in governmental activities are funded with proceeds from the issuance of

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2016

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 and improvements.

Note 6 – Long-term Liabilities

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

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Amounts due within one year
A. General obligation bonds payable	\$ 83,195,000		7,075,000	76,120,000	8,250,000
B. Limited obligation bonds payable	3,305,000		845,000	2,460,000	880,000
C. Three mill notes payable	970,000	3,500,000	4,470,000	-	-
D. Qualified school construction bonds payable	2,883,000		-	2,883,000	-
E. Compensated absences payable	1,111,982		30,313	1,081,669	54,083
	<u>\$ 91,464,982</u>	<u>3,500,000</u>	<u>12,420,313</u>	<u>82,544,669</u>	<u>9,184,083</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:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1 General obligation refunding bonds, Series 2012	2.0-5.0%	22-May-12	15-Apr-25	\$ 25,600,000	21,825,000
2 General obligation bonds, Series 2010	2.0 - 2.75%	15-Oct-10	15-Apr-23	29,000,000	19,450,000
3 General obligation bonds, Series 2009	3.0 - 3.625%	1-Dec-09	1-Dec-24	29,000,000	24,850,000
4 General obligation bonds, Series 2008	3.0 - 4.0%	17-Dec-08	1-Sep-18	8,005,000	2,095,000
5 General obligation bonds, Series 2005-A	3.25 - 5.0%	11-Apr-05	1-Sep-19	26,190,000	7,900,000
Total				<u>\$ 117,795,000</u>	<u>76,120,000</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
2017	\$ 1,985,000	936,850	2,921,850
2018	2,095,000	837,600	2,932,600
2019	2,205,000	732,850	2,937,850
2020	2,305,000	644,650	2,949,650
2021	2,435,000	529,400	2,964,400
2022-2025	10,800,000	1,099,600	11,899,600
	<u>\$ 21,825,000</u>	<u>4,780,950</u>	<u>26,605,950</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, 2016

2. Series 2010 issued on October 15, 2010.

<u>Year Ending</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30</u>				
2017	\$	2,000,000	482,062	2,482,062
2018		2,200,000	442,063	2,642,063
2019		2,750,000	395,312	3,145,312
2020		2,250,000	330,000	2,580,000
2021		3,000,000	273,750	3,273,750
2022-2023		7,250,000	298,125	7,548,125
	\$	<u>19,450,000</u>	<u>2,221,312</u>	<u>21,671,312</u>

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

3. Series 2009 issued on December 1, 2009.

<u>Year Ending</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30</u>				
2017	\$	1,600,000	845,250	2,445,250
2018		1,750,000	790,625	2,540,625
2019		2,250,000	720,625	2,970,625
2020		2,750,000	633,125	3,383,125
2021		3,250,000	528,125	3,778,125
2022-2025		13,250,000	874,375	14,124,375
	\$	<u>24,850,000</u>	<u>4,392,125</u>	<u>29,242,125</u>

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

4. Series 2008 issued on December 17, 2008.

<u>Year Ending</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30</u>				
2017	\$	805,000	64,550	869,550
2018		770,000	35,430	805,430
2019		520,000	10,400	530,400
	\$	<u>2,095,000</u>	<u>110,380</u>	<u>2,205,380</u>

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

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

<u>Year Ending</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30</u>				
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
	\$	<u>7,900,000</u>	<u>804,750</u>	<u>8,704,750</u>

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2016

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:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 8,250,000	2,677,212	10,927,212
2018	8,765,000	2,358,968	11,123,968
2019	9,800,000	2,011,812	11,811,812
2020	9,320,000	1,658,150	10,978,150
2021	8,685,000	1,331,275	10,016,275
2022-2025	31,300,000	2,272,100	33,572,100
	<u>\$ 76,120,000</u>	<u>12,309,517</u>	<u>88,429,517</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2016, the amount of outstanding bonded indebtedness was equal to 6.06% of property assessments as of October 1, 2015.

B. Limited obligation bonds payable

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
State aid capital improvement refunding bonds, Series 2007	3.75%	1-Dec-07	1-Feb-18	\$ 7,460,000	2,460,000
				<u>\$ 7,460,000</u>	<u>2,460,000</u>

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

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 880,000	75,415	955,415
2018	1,580,000	41,852	1,621,852
	<u>\$ 2,460,000</u>	<u>117,267</u>	<u>2,577,267</u>

The debt will be retired from the 1998 MAEP Bond Debt Service Fund (4041).

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.

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2016

C. Three mill notes payable

This debt was paid in full during the year ended June 30, 2016.

D. Qualified school construction bonds payable

As more fully explained in Note 12, 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
QSCB 2010 Series	0.40%	14-Jan-10	15-Sep-24	\$ 3,000,000	2,883,000

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

Year Ending		Principal	Interest	Total
June 30				
2017	\$	-	11,532	11,532
2018		-	11,532	11,532
2019		-	11,532	11,532
2020		-	11,532	11,532
2021		-	11,532	11,532
2022-2025		2,883,000	11,532	2,894,532
	\$	<u>2,883,000</u>	<u>69,192</u>	<u>2,952,192</u>

The debt will be retired from the 2010 QSCB Debt Service Fund (4092).

E. Compensated absences payable

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

Note 7 – Other Commitments

Commitments under construction contracts area described in Note 5.

Operating Leases:

The school district has several operating leases for copiers. Lease expenditures for the year ended June 30, 2016, amounted to \$193,299.

Future lease payments for these leases are as follows:

Year Ending		Amount
June 30		
2017	\$	186,955
2018		119,684
2019		42,288
2020		1,200
	\$	<u>350,127</u>

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2016

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 began 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 of 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, 2016, totaled \$6,097,592 for route service. An additional amount of \$371,681 was paid to First Student, Inc. for extra transportation services for field trips and athletic events and special programs not included in the contract described above. Minimum future payments to be made under the contract are estimated as follows:

<u>Year Ending</u>		<u>Amount</u>
<u>June 30</u>		
2017	\$	6,492,107
	\$	<u>6,492,107</u>

Note 8 – Defined Benefit Pension Plan

General Information about the Pension Plan

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

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

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2016

fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2016 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2016, 2015 and 2014 were \$10,240,838, \$9,746,047 and \$9,094,102 respectively, which equaled the required contributions for each year.

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

At June 30, 2016, the school district reported a liability of \$153,108,985 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The school district's proportionate share used to calculate the June 30, 2016 net pension liability was 0.990482 percent, which was based on a measurement date of June 30, 2015. This was an increase of 0.45979 percent from its proportionate share used to calculate the June 30, 2015 net pension liability, which was based on a measurement date of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$18,019,293. At June 30, 2016 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,501,380	\$
Net difference between projected and actual earnings on pension plan investments		3,505,504
Changes of assumptions	13,189,817	
Changes in proportion and differences between District contributions and proportionate share of contributions	7,222,159	
District contributions subsequent to the measurement date	10,240,838	
Total	\$ <u>34,154,194</u>	\$ <u>3,505,504</u>

\$10,240,838 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ 7,726,451
2018	7,185,460
2019	3,256,311
2020	<u>2,239,630</u>
	\$ <u>20,407,852</u>

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2016

Actuarial assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.75-19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2016, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

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

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

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent, a decrease of 0.25 percentage points since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 201,811,668	\$ 153,108,985	\$ 112,694,863

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2016

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

Note 9 – Sixteenth Section Lands

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all the 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.

<u>Year Ending</u>		<u>Amount</u>
<u>June 30</u>		
2017	\$	794,448
2018		773,148
2019		735,995
2020		688,672
2021		598,262
Thereafter		14,567,644
	\$	<u><u>18,158,169</u></u>

Note 10 – Contingencies

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

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

Note 11 – 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 12 – 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

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2016

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, 2016, was \$880,966. 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.

<u>Year Ending</u>		<u>Amount</u>
<u>June 30</u>		
2017	\$	231,300
2018		231,300
2019		231,300
2020		231,300
2021		231,300
2021-2025		925,177
	\$	<u><u>2,081,677</u></u>

Note 13 – Effect of Deferred Amounts on Net Position

The Net Investment in Capital Assets net position amount of \$160,426,512 includes the effect of deferring the recognition of expenditures resulting from a deferred outflow from advance refunding of school district debt. The \$1,574,549 balance of the deferred outflow of sources at June 30, 2016, will be recognized as an expense and decrease the net investment in capital assets net position over the next 9 years.

The unrestricted net position amount of (\$73,804,917) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$23,913,356 balance of deferred outflow of resources at June 30, 2016, will be recognized as an expense and will decrease the unrestricted net position over the next three (3) years.

The unrestricted net position amount of (\$73,804,917) includes the effect of deferring the recognition of revenues resulting from a deferred inflow from pensions. The \$3,505,504 balance of deferred inflow of resources at June 30, 2016, will be recognized as revenue and will increase the unrestricted net position over the next four (4) years.

Note 14 - 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 January 13, 2017, and determined the following events have occurred requiring disclosure in the notes to the financial statements.

MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2016

On November 7, 2016, the district issued \$6,062,000 in general obligation refunding bonds to refund a portion of the 2005-A General Obligation bonds. \$6,040,000 of the 2005-A issue were refunded at a rate of 0.80%-1.00%.

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REQUIRED SUPPLEMENTARY INFORMATION

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MADISON COUNTY SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 53,164,954	56,999,310	56,998,919	3,834,356	(391)
State sources	54,301,136	54,894,968	54,894,968	593,832	0
Federal sources	0	273,595	273,596	273,595	1
Sixteenth section sources	627,186	1,314,362	1,313,292	687,176	(1,070)
Total Revenues	108,093,276	113,482,235	113,480,775	5,388,959	(1,460)
Expenditures:					
Instruction	62,239,327	62,395,155	62,395,145	(155,828)	10
Support services	42,388,709	40,003,027	40,003,027	2,385,682	0
Sixteenth section	78,000	166,576	166,576	(88,576)	0
Facilities acquisition and construction	0	292,261	292,261	(292,261)	0
Debt Service:					
Interest	0	8,454	8,454	(8,454)	0
Total Expenditures	104,706,036	102,865,473	102,865,463	1,840,563	10
Excess (Deficiency) of Revenues over (under) Expenditures	3,387,240	10,616,762	10,615,312	7,229,522	(1,450)
Other Financing Sources (Uses):					
Proceeds of bonds and notes	0	3,500,000	3,500,000	3,500,000	0
Insurance loss recoveries	0	18,318	18,318	18,318	0
Sale of transportation equipment	0	17,888	17,888	17,888	0
Sale of other property	0	1,300,000	0	1,300,000	(1,300,000)
Operating transfers in	5,765,815	17,908,452	273,353	12,142,637	(17,635,099)
Other financing sources	0	3,216	3,216	3,216	0
Operating transfers out	(8,871,232)	(28,543,934)	(10,778,835)	(19,672,702)	17,765,099
Other financing uses	0	(398)	(398)	(398)	0
Total Other Financing Sources (Uses)	(3,105,417)	(5,796,458)	(6,966,458)	(2,691,041)	(1,170,000)
Net Change in Fund Balances	281,823	4,820,304	3,648,854	4,538,481	(1,171,450)
Fund Balances:					
July 1, 2015, as previously reported	41,484,892	43,258,824	43,658,824	1,773,932	400,000
Prior period adjustments	0	(1,071)	0	(1,071)	1,071
July 1, 2015, as restated	41,484,892	43,257,753	43,658,824	1,772,861	401,071
June 30, 2016	\$ 41,766,715	48,078,057	47,307,678	6,311,342	(770,379)

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

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MADISON COUNTY SCHOOL DISTRICT

Required Supplementary Information

**Budgetary Comparison Schedule
School Food Service Fund
For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 2,718,964	2,468,413	2,468,413	(250,551)	0
State Sources	54,000	58,987	58,987	4,987	0
Federal Sources	3,223,145	3,314,345	3,314,345	91,200	0
Total Revenues	5,996,109	5,841,745	5,841,745	(154,364)	0
Expenditures:					
Support services	567,013	540,019	540,019	26,994	0
Noninstructional services	5,168,056	5,436,773	5,436,773	(268,717)	0
Total Expenditures	5,735,069	5,976,792	5,976,792	(241,723)	0
Excess (Deficiency) of Revenues over (under) Expenditures	261,040	(135,047)	(135,047)	(396,087)	0
Other Financing Sources (Uses):					
Operating transfers out	0	(267,162)	(267,162)	(267,162)	0
Total Other Financing Sources (Uses)	0	(267,162)	(267,162)	(267,162)	0
Net Change in Fund Balances	261,040	(402,209)	(402,209)	(663,249)	0
Fund Balances:					
July 1, 2015	852,422	827,049	827,049	(25,373)	0
Increase (decrease) in inventory	0	79,192	79,192	79,192	0
June 30, 2016	\$ 1,113,462	504,032	504,032	(609,430)	0

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

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MADISON COUNTY SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule

IDEA Part B Fund

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variances	
				Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 2,823,543	2,932,610	2,672,080	109,067	(260,530)
Total Revenues	2,823,543	2,932,610	2,672,080	109,067	(260,530)
Expenditures:					
Instruction	1,816,122	1,133,852	1,009,691	682,270	124,161
Support services	1,007,421	1,798,758	1,662,389	(791,337)	136,369
Total Expenditures	2,823,543	2,932,610	2,672,080	(109,067)	260,530
Excess (Deficiency) of Revenues over (under) Expenditures	0	0	0	0	0
Other Financing Sources (Uses):					
Operating transfers out				0	0
Total Other Financing Sources (Uses)	0	0	0	0	0
Net Change in Fund Balances	0	0	0	0	0
Fund Balances:					
July 1, 2015	0	0	0	0	0
June 30, 2016	\$ 0	0	0	0	0

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

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MADISON COUNTY SCHOOL DISTRICT**Required Supplementary Information****SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY****PERS****Last 10 Fiscal Years***

	2016	2015
District's proportion of the net pension liability (asset)	0.990482%	0.944503%
District's proportionate share of the net pension liability (asset)	\$ 153,108,985	114,645,371
District's covered-employee payroll	61,879,663	57,740,330
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	247.43%	198.55%
Plan fiduciary net position as a percentage of the total pension liability	62%	67%

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

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

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

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MADISON COUNTY SCHOOL DISTRICT

Required Supplementary Information

SCHEDULE OF DISTRICT CONTRIBUTIONS

PERS

Last 10 Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually required contribution	\$ 10,240,838	9,746,047								
Contributions in relation to the contractually required contribution	10,240,838	9,746,047								
Contribution deficiency (excess)	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
District's covered-employee payroll	65,021,194	61,879,663								
Contributions as a percentage of covered-employee payroll	15.75%	15.75%								

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

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MADISON COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary information

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) Changes of assumptions

In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75% respectively.

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SUPPLEMENTARY INFORMATION

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MADISON COUNTY SCHOOL DISTRICT

Supplementary Information

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2016

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 542,229
National school lunch program	10.555	2,772,117
Total child nutrition cluster		3,314,346
Total passed-through Mississippi Department of Education		3,314,346
Total U.S. Department of Agriculture		3,314,346
<u>U.S. Department of Defense</u>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	151,628
Total U.S. Department of Defense		151,628
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	237,155
Total Federal Communications Commission		237,155
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	1,473,572
Career and technical education - basic grants to states	84.048	113,738
Rehabilitation services - vocational rehabilitation grants to states	84.126	1,260
Twenty-first century community learning centers	84.287	205,603
English language acquisition grants	84.365	32,084
Improving teacher quality-State Grants	84.367	390,874
Subtotal		2,217,131
Special education cluster:		
Special education - grants to states	84.027	2,707,261
Special education - preschool grants	84.173	73,748
Total special education cluster		2,781,009
Total passed-through Mississippi Department of Education		4,998,140
Total U.S. Department of Education		4,998,140
Total for All Federal Awards		\$ 8,701,269

NOTES TO SCHEDULE

1. This schedule was prepared using the same basis of accounting and the same significant 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.

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MADISON COUNTY SCHOOL DISTRICT

Supplementary Information

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2016

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 87,420,070	72,798,629	2,011,541	7,384,500	5,225,400
Other	57,001,378	10,169,498	1,051,277	281,940	45,498,663
Total	<u>\$ 144,421,448</u>	<u>82,968,127</u>	<u>3,062,818</u>	<u>7,666,440</u>	<u>50,724,063</u>
Total number of students *	<u>12,794</u>				
Cost per student	<u>\$ 11,288</u>	<u>6,485</u>	<u>239</u>	<u>599</u>	<u>3,965</u>

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

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

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 expenditure functions not included in Instruction or Administration Categories.

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

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OTHER INFORMATION

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MADISON COUNTY SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2016	2015*	2014*	2013*
Revenues:				
Local sources	\$ 56,998,919	52,474,451	48,235,258	46,400,667
State sources	54,894,968	51,616,773	50,294,425	47,255,353
Federal sources	273,596	377,751	27,796	216,797
Sixteenth section sources	1,313,292	1,343,436		
Total Revenues	113,480,775	105,812,411	98,557,479	93,872,817
Expenditures:				
Instruction	62,395,145	60,025,958	55,561,610	52,185,441
Support services	40,003,027	41,393,796	36,575,310	33,058,180
Noninstructional services				
Sixteenth section	166,576	174,962		
Facilities acquisition and construction	292,261	5,167,050	95,439	39,216
Debt service:				
Interest	8,454	9,952	11,390	10,285
Total Expenditures	102,865,463	106,771,718	92,243,749	85,293,122
Excess (Deficiency) of Revenues over (under) Expenditures	10,615,312	(959,307)	6,313,730	8,579,695
Other Financing Sources (Uses):				
Proceeds of bonds and notes	3,500,000			
Insurance loss recoveries	18,318	2,822	811	8,998
Sale of transportation equipment	17,888			
Sale of other property		1,300,000		
Operating transfers in	273,353	38,106	8,568	12,467
Other financing sources	3,216	1,805	30	821
Operating transfers out	(10,778,835)	(2,788,642)	(2,708,896)	(12,229,196)
Other financing uses	(398)			
Total Other Financing Sources (Uses)	(6,966,458)	(1,445,909)	(2,699,487)	(12,206,910)
Net Change in Fund Balances	3,648,854	(2,405,216)	3,614,243	(3,627,215)
Fund Balances:				
Beginning of period, as previously reported	43,658,824	31,496,780	27,882,537	31,511,266
Fund reclassification		14,507,160		
Prior period adjustments		60,100		(1,514)
Beginning of period, as restated	43,658,824	46,064,040	27,882,537	31,509,752
End of Period	\$ 47,307,678	43,658,824	31,496,780	27,882,537

*SOURCE - PRIOR YEAR AUDIT REPORTS

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MADISON COUNTY SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

	2016	2015*	2014*	2013*
Revenues:				
Local sources	\$ 69,940,307	67,317,441	65,863,515	63,666,313
State sources	58,015,312	54,732,849	53,410,551	50,148,794
Federal sources	8,709,512	7,847,151	7,989,729	8,136,759
Sixteenth section sources	1,430,916	1,484,641	1,382,266	1,504,261
Total Revenues	138,096,047	131,382,082	128,646,061	123,456,127
Expenditures:				
Instruction	69,430,520	66,401,084	62,807,848	59,412,916
Support services	44,096,345	44,954,803	39,714,688	35,984,935
Noninstructional services	5,446,221	5,020,582	5,281,093	5,139,680
Sixteenth section	195,757	238,266	248,361	225,333
Facilities acquisition and construction	9,766,513	20,726,578	4,287,099	4,917,316
Debt service:				
Principal	12,390,000	8,195,000	11,380,000	11,327,000
Interest	3,079,045	3,346,811	3,708,737	3,915,394
Other	17,047	13,506	18,941	111,510
Total Expenditures	144,421,448	148,896,630	127,446,767	121,034,084
Excess (Deficiency) of Revenues over (under) Expenditures	(6,325,401)	(17,514,548)	1,199,294	2,422,043
Other Financing Sources (Uses):				
Proceeds of bonds and notes	3,500,000			
Insurance loss recoveries	18,318	2,822	811	8,998
Payments held by escrow agent	223,146	231,863	231,751	60,300
Payment to QSCB debt escrow agent	(223,146)	(231,863)	(231,751)	(60,300)
Sale of transportation equipment	17,888			
Sale of other property	1,050,000	1,300,000		
Operating transfers in	11,052,188	3,288,419	2,976,461	12,499,142
Other financing sources	3,216	1,823	30	
Operating transfers out	(11,052,188)	(3,288,419)	(2,976,461)	(12,499,142)
Other financing uses	(398)			821
Total Other Financing Sources (Uses)	4,589,024	1,304,645	841	9,819
Net Change in Fund Balances	(1,736,377)	(16,209,903)	1,200,135	2,431,862
Fund Balances:				
Beginning of period, as previously reported	76,168,281	92,288,378	91,077,964	88,627,380
Prior period adjustments		63,107	4,094	
Beginning of period, as restated	76,168,281	92,351,485	91,082,058	88,627,380
Increase (Decrease) in reserve for inventory	79,192	26,699	6,185	18,722
End of Period	\$ 74,511,096	76,168,281	92,288,378	91,077,964

*SOURCE - PRIOR YEAR AUDIT REPORTS

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REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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SUZANNE E. SMITH, CPA, PLLC
AUDITING AND ACCOUNTING SERVICES
sesmithcpa@msn.com

**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, 2016, and the related notes to the financial statements, which collectively comprise Madison County School District's basic financial statements, and have issued our report thereon dated January 13, 2017.

Internal Control Over Financial Reporting

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

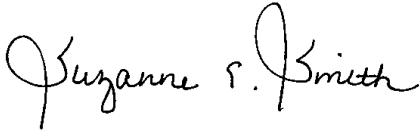
Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

POST OFFICE BOX 102
BRANDON, MISSISSIPPI 39043
PHONE: 601-938-5717

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 result 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.

A handwritten signature in black ink that reads "Suzanne E. Smith". The signature is written in a cursive, flowing style.

Suzanne E. Smith, CPA, PLLC
Brandon, Mississippi
January 13, 2017

SUZANNE E. SMITH, CPA, PLLC
AUDITING AND ACCOUNTING SERVICES
sesmithcpa@msn.com

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the
Uniform Guidance

Superintendent and School Board
Madison County School District

Report on Compliance for Each Major Federal Program

We have audited Madison County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the district's major federal programs for the year ended June 30, 2016. Madison County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Madison County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Madison County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Madison County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as Finding 2016-001. Our opinion on each major federal program is not modified with respect to these matters.

Madison County School District's response to the noncompliance findings identified in our audit are described in the accompanying auditee corrective action plan. Madison County School District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

POST OFFICE BOX 102
BRANDON, MISSISSIPPI 39043
PHONE: 601-938-5717

Report on Internal Control Over Compliance

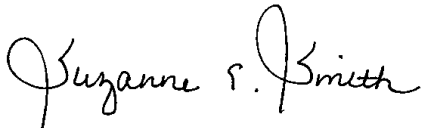
Management of Madison County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Madison County School District's internal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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Finding 2016-001, that we consider to be a significant deficiency.

Madison County School District's responses to the internal control over compliance findings identified in our audit are described in the accompanying Auditee Corrective Action Plan. Madison County School District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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



Suzanne E. Smith, CPA, PLLC
Brandon, Mississippi
January 13, 2017

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

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SUZANNE E. SMITH, CPA, PLLC
AUDITING AND ACCOUNTING SERVICES
sesmithcpa@msn.com

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, 2016, which collectively comprise Madison County School District's basic financial statements and have issued our report thereon dated January 13, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

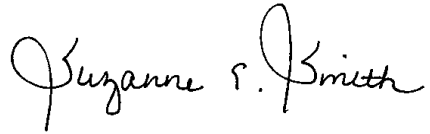
Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district."

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed no instances of noncompliance with other state laws and regulations:

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

A handwritten signature in black ink that reads "Suzanne E. Smith". The signature is written in a cursive style with a large, looped 'S' at the beginning.

Suzanne E. Smith, CPA, PLLC
Brandon, Mississippi
January 13, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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? (Yes/No) | No |
| b. Significant deficiency(ies) identified? (Yes/None reported) | None reported |
| 3. Noncompliance material to financial statements noted? (Yes/No) | No |

Federal Awards:

- | | |
|--|--|
| 4. Internal control over major programs: | |
| a. Material weakness(es) identified? (Yes/No) | No |
| b. Significant deficiency(ies) identified? (Yes/None reported) | Yes |
| 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 2 CFR 200.516(a)? (Yes/No) | Yes |
| 7. Identification of major programs: | |
| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
| 84.287 | Twenty-first Century Community Learning Center |
| 84.027/84.173 | Special Education Cluster |
| 8. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 9. Auditee qualified as low-risk auditee? (yes/no) | 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 under *Government Auditing Standards*.

Section III: Federal Award Findings and Questioned Costs

Significant Deficiencies not considered to be Material Weaknesses

Finding 2016-001. Special Education Cluster. CFDA #84.027 and 84.173. Allowable Costs/Cost Principles.

Criteria: The school district should have a system in place to provide assurance that cost principles are followed for all expenditures from the Special Education Cluster of awards. The district should maintain semi-annual certifications on all persons whose positions are funded in whole by a cluster award and/or personnel activity records for those persons whose duties include both grant-related activities funded through the grant and responsibilities and non-grant related duties and responsibilities funded outside of the federal award.

Condition: Out of a sample size of nine (9) cluster-funded employees chosen non-statistically, we noted nine (9) instances where the district did not maintain on file either semi-annual certifications or personnel activity records to substantiate the time the employee spent on the grant.

Effect: The district is not in compliance with the cost principle standards governing this cluster of awards.

Cause: The cause is not fully known. The director of the program stated that she did not realize these records needed to be maintained.

Recommendation: We recommend that the district formulate the needed controls to ensure compliance in this area.

AUDITEE CORRECTIVE ACTION PLAN

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AUDITEE'S CORRECTIVE ACTION PLAN

Finding 2016-001

Corrective Action Plan

- a. Persons responsible for Corrective Action:
Barry McKenzie, Finance Director and Lynn Slay, SPED Director
- b. Corrective Action Planned:
PAR and Semi-Annual Certification forms will be completed as required by the Federal Grant.
- c. Anticipated Completion Date:
Immediately

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