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**Madison County School District**

Audited Financial Statements  
For the Year Ended June 30, 2017

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

# Madison County School District

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## FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Madison County School District

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Madison County School District as of and for the year ended June 30, 2017, 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.

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## **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, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedules of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions on pages 8 to 15 and 50 to 54, 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 October 27, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Madison County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Madison County School District's internal control over financial reporting and compliance.

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
October 27, 2017

Certified Public Accountants



## MANAGEMENT'S DISCUSSION AND ANALYSIS

**MADISON COUNTY SCHOOL DISTRICT**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2017

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, 2017. 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 2017 decreased \$8,697,993, including a prior period adjustment of \$103,901, which represents a 7.93% decrease from fiscal year 2016. Total net position for 2016 increased \$2,747,227, which represents a 2.50% increase from fiscal year 2015.
- General revenues amounted to \$126,577,789 and \$122,931,927, or 89% and 89% of all revenues for fiscal years 2017 and 2016, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$16,062,201, or 11% of total revenues for 2017, and \$15,506,633, or 11% of total revenues for 2016.
- The District had \$151,441,884 and \$135,691,333 in expenses for fiscal years 2017 and 2016; only \$16,062,201 for 2017 and \$15,506,633 for 2016 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$126,577,789 for 2017 were not adequate to provide for these programs. However, general revenues of \$122,931,927 for 2016 were adequate to provide for these programs.
- Among major funds, the General Fund had \$117,982,641 in revenues and \$110,612,542 in expenditures for 2017, and \$113,480,775 in revenues and \$102,865,463 in expenditures in 2016. The General Fund's fund balance increased by \$2,068,802 from 2016 to 2017, and increased by \$3,648,854 from 2015 to 2016.
- Capital assets, net of accumulated depreciation, decreased by \$330,560 for 2017 and increased by \$3,148,548 for 2016. The decrease for 2017 was due to the increase in accumulated depreciation.
- Long-term debt decreased by \$11,344,361 for 2017 and decreased by \$8,920,313 for 2016. This decrease for 2017 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences increased by \$303,639 for 2017 and decreased by \$30,313 for 2016.

## **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 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.

## MADISON COUNTY SCHOOL DISTRICT

### Management's Discussion and Analysis

For the Year Ended June 30, 2017

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:

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

## **MADISON COUNTY SCHOOL DISTRICT**

### **Management's Discussion and Analysis**

**For the Year Ended June 30, 2017**

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.

A net pension liability results in a liability on the government-wide financial statements but is not reported on 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 Net 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 \$100,936,476 as of June 30, 2017.

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

Table 1 presents a summary of the District's net position at June 30, 2017 and June 30, 2016.

**MADISON COUNTY SCHOOL DISTRICT**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2017

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

	June 30, 2017	June 30, 2016	Percentage Change
Current assets	\$ 65,305,452	\$ 69,273,118	-5.73 %
Restricted assets	6,850,208	6,345,519	7.95 %
Capital assets, net	241,018,769	241,349,329	-0.14 %
<b>Total assets</b>	<b>313,174,429</b>	<b>316,967,966</b>	<b>-1.20 %</b>
 <b>Deferred outflows of resources</b>	 <b>45,025,284</b>	 <b>35,728,743</b>	 <b>26.02 %</b>
 Current liabilities	 2,046,161	 1,674,485	 22.20 %
Long-term debt outstanding	73,181,283	84,773,266	-13.67 %
Net pension liability	181,553,348	153,108,985	18.58 %
<b>Total liabilities</b>	<b>256,780,792</b>	<b>239,556,736</b>	<b>7.19 %</b>
 <b>Deferred inflows of resources</b>	 <b>482,445</b>	 <b>3,505,504</b>	 <b>-86.24 %</b>
 <b>Net position:</b>			
Net investment in capital assets	170,631,947	160,426,512	6.36 %
Restricted	16,476,738	23,012,874	-28.40 %
Unrestricted	(86,172,209)	(73,804,917)	-16.76 %
<b>Total net position</b>	<b>\$ 100,936,476</b>	<b>\$ 109,634,469</b>	<b>-7.93 %</b>

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)	(\$86,172,209)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	138,419,662
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 52,247,453</u>

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

- Decrease in net capital assets in the amount of \$330,560.
- The principal retirement of \$11,670,000 of long-term debt.

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2017 and June 30, 2016 were \$142,639,990 and \$138,438,560, respectively. The total cost of all programs and services was \$151,441,884 for 2017 and \$135,691,333 for 2016.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2017 and June 30, 2016.

**MADISON COUNTY SCHOOL DISTRICT**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2017

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

	<u>Year Ended</u> <u>June 30, 2017</u>	<u>Year Ended</u> <u>June 30, 2016</u>	<u>Percentage</u> <u>Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 4,782,801	\$ 4,318,231	10.76 %
Operating grants and contributions	11,279,400	11,179,407	0.89 %
Capital grants and contributions	-	8,995	(100.00) %
General revenues:			
Property taxes	67,140,303	64,564,465	3.99 %
Grants and contributions not restricted	56,822,155	55,536,422	2.32 %
Investment earnings	175,709	247,600	(29.04) %
Sixteenth section sources	1,398,347	1,294,244	8.04 %
Other	1,041,275	1,289,196	(19.23) %
<b>Total revenues</b>	<b><u>142,639,990</u></b>	<b><u>138,438,560</u></b>	<b>3.03 %</b>
<b>Expenses:</b>			
Instruction	69,927,789	67,412,780	3.73 %
Support services	46,836,560	41,865,859	11.87 %
Non-instructional	5,250,290	5,232,064	0.35 %
Sixteenth section	168,724	195,757	(13.81) %
Pension expense	26,797,258	18,019,293	48.71 %
Interest on long-term liabilities	2,461,263	2,965,580	(17.01) %
<b>Total expenses</b>	<b><u>151,441,884</u></b>	<b><u>135,691,333</u></b>	<b>11.61 %</b>
<b>Increase (Decrease) in net position</b>	<b><u>(8,801,894)</u></b>	<b><u>2,747,227</u></b>	<b>(420.39) %</b>
<b>Net Position, July 1, as previously reported</b>	<b><u>109,634,469</u></b>	<b><u>106,887,242</u></b>	<b>2.57 %</b>
<b>Prior Period Adjustment</b>	<b><u>103,901</u></b>		<b>N/A %</b>
<b>Net Position, July 1, as restated</b>	<b><u>109,738,370</u></b>	<b><u>106,887,242</u></b>	<b>2.67 %</b>
<b>Net Position, June 30</b>	<b><u>\$ 100,936,476</u></b>	<b><u>\$ 109,634,469</u></b>	<b>(7.93) %</b>

**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, 2017

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

	<b>Total Expenses</b>		<b>Percentage Change</b>
	<b>2017</b>	<b>2016</b>	
Instruction	\$ 69,927,789	\$ 67,412,780	3.73 %
Support services	46,836,560	41,865,859	11.87 %
Non-instructional	5,250,290	5,232,064	0.35 %
Sixteenth section	168,724	195,757	(13.81) %
Pension expense	26,797,258	18,019,293	48.71 %
Interest on long-term liabilities	2,461,263	2,965,580	(17.01) %
<b>Total expenses</b>	<b>\$ 151,441,884</b>	<b>\$ 135,691,333</b>	<b>11.61 %</b>

  

	<b>Net (Expense) Revenue</b>		<b>Percentage Change</b>
	<b>2017</b>	<b>2016</b>	
Instruction	\$ (63,105,939)	\$ (61,170,623)	3.16 %
Support services	(43,416,254)	(38,227,363)	13.57 %
Non-instructional	490,962	369,689	32.80 %
Sixteenth section	(89,931)	(171,530)	(47.57) %
Pension expense	(26,797,258)	(18,019,293)	48.71 %
Interest on long-term liabilities	(2,461,263)	(2,965,580)	(17.01) %
<b>Total net (expense) revenue</b>	<b>\$ (135,379,683)</b>	<b>\$ (120,184,700)</b>	<b>12.64 %</b>

- Net cost of governmental activities [(\$135,379,683) for 2017 and (\$120,184,700) for 2016] was financed by general revenue, which is primarily made up of property taxes (\$67,140,303 for 2017 and \$64,564,465 for 2016) and state and federal revenues (\$56,822,155 for 2017 and \$55,536,422 for 2016). In addition, there was \$1,398,347 and \$1,294,244 in Sixteenth Section sources for 2017 and 2016, respectively.
- Investment earnings amounted to \$175,709 for 2017 and \$247,600 for 2016.

## 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 \$70,488,855, a decrease of \$4,022,241, which includes a prior period adjustment of \$105,956 and a decrease in inventory of \$29,117. \$24,493,297 or 35% 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 \$45,995,558 or 65% 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, 2017

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 \$2,068,802. The fund balance of Other Governmental Funds showed a decrease in the amount of \$4,589,132. The decrease in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
IDEA Part B Fund	no increase or decrease
District Construction Fund	\$ (1,501,911)

## 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(s) is provided in this report as required supplementary information.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2017, the District's total capital assets were \$322,479,883, including land, school buildings, building improvements, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$6,230,430 from 2016. Total accumulated depreciation as of June 30, 2017, was \$81,461,114, and total depreciation expense for the year was \$6,708,196, resulting in total net capital assets of \$241,018,769.

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

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage</u> <u>Change</u>
Land	\$ 7,104,196	\$ 7,089,984	0.20 %
Construction in progress	3,653,557	13,582,833	(73.10) %
Buildings	208,671,080	199,975,177	4.35 %
Building improvements	9,404,476	9,093,704	3.42 %
Improvements other than buildings	10,480,360	10,198,096	2.77 %
Mobile equipment	832,399	579,121	43.73 %
Furniture and equipment	872,701	830,414	5.09 %
<b>Total</b>	<b>\$ 241,018,769</b>	<b>\$ 241,349,329</b>	<b>(0.14) %</b>

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, 2017

**Debt Administration.** At June 30, 2017, the District had \$71,200,308 in outstanding long-term debt, of which \$10,964,265 is due within one year. The liability for compensated absences increased \$303,639 from the prior year.

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

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage</u> <u>Change</u>
General obligation bonds payable	\$ 65,352,000	\$ 76,120,000	(14.15) %
Limited obligation bonds payable	1,580,000	2,460,000	(35.77) %
Qualified school construction bonds payable	2,883,000	2,883,000	0.00 %
Compensated absences payable	1,385,308	1,081,669	28.07 %
<b>Total</b>	<b>\$ 71,200,308</b>	<b>\$ 82,544,669</b>	<b>(13.74) %</b>

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

## CURRENT ISSUES

The Madison County School District is financially stable. The District is proud of its community support for 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.

GASB Statement No. 75, ***Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions***, is to be implemented in fiscal year 6/30/2018. At this point we do not have enough information to judge the impact this will have on the District.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

## FINANCIAL STATEMENTS

**MADISON COUNTY SCHOOL DISTRICT**

**Statement of Net Position**  
**June 30, 2017**

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 61,890,408
Cash with fiscal agents	30,000
Due from other governments	3,183,235
Accrued interest receivable	23,941
Other receivables, net	222
Inventories	134,291
Prepaid items	43,355
Restricted assets	6,850,208
Capital assets, non-depreciable:	
Land	7,104,196
Construction in progress	3,653,557
Capital assets, net of accumulated depreciation:	
Buildings	208,671,080
Building improvements	9,404,476
Improvements other than buildings	10,480,360
Mobile equipment	832,399
Furniture and equipment	872,701
Total Assets	<u>313,174,429</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflow from advance refunding of debt	1,409,153
Deferred outflow related to pensions	43,616,131
Total Deferred Outflows of Resources	<u>45,025,284</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	1,666,805
Interest payable on long-term liabilities	379,356
Long-term liabilities, due within one year:	
Capital related liabilities	10,895,000
Non-capital related liabilities	69,265
Long-term liabilities, due beyond one year:	
Capital related liabilities	58,920,000
Capital related bond premiums	1,980,975
Non-capital related liabilities	1,316,043
Net pension liability	181,553,348
Total Liabilities	<u>256,780,792</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflow related to pensions	482,445
Total Deferred Inflows of Resources	<u>482,445</u>
<b>Net Position</b>	
Net investment in capital assets	170,631,947
Restricted for:	
Expendable:	
School-based activities	425,841
Debt service	13,175,445
Forestry improvements	251,297
Unemployment benefits	498,258
Non-expendable:	
Sixteenth section	2,125,897
Unrestricted	(86,172,209)
Total Net Position (deficit)	<u>\$ 100,936,476</u>

**MADISON COUNTY SCHOOL DISTRICT**

**Statement of Activities**

**For the Year Ended June 30, 2017**

**Exhibit B**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
				Governmental Activities
Governmental Activities:				
Instruction	\$ 69,927,789	\$ 2,071,930	\$ 4,749,920	\$ (63,105,939)
Support services	46,836,560	15,108	3,405,198	(43,416,254)
Non-instructional	5,250,290	2,616,970	3,124,282	490,962
Sixteenth section	168,724	78,793	-	(89,931)
Pension expense	26,797,258	-	-	(26,797,258)
Interest on long-term liabilities	2,461,263	-	-	(2,461,263)
Total Governmental Activities	\$ 151,441,884	\$ 4,782,801	\$ 11,279,400	\$ (135,379,683)

General Revenues:

Taxes:

General purpose levies

56,947,359

Debt purpose levies

10,192,944

Unrestricted grants and contributions:

State

56,533,576

Federal

288,579

Unrestricted investment earnings

175,709

Sixteenth section sources

1,398,347

Other

1,041,275

Total General Revenues

126,577,789

Change in Net Position

(8,801,894)

Net Position - Beginning, as previously reported

109,634,469

Prior Period Adjustments

103,901

Net Position - Beginning, as restated

109,738,370

Net Position (deficit) - Ending

\$ 100,936,476

**MADISON COUNTY SCHOOL DISTRICT**

**Governmental Funds**

**Balance Sheet**

**June 30, 2017**

**Exhibit C**

	Major Funds				
	General Fund	IDEA Part B Fund	District Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 47,015,575		4,449,712	13,941,783	65,407,070
Cash with fiscal agents	30,000			533,129	563,129
Investments				2,800,417	2,800,417
Due from other governments	1,728,246	315,341		1,084,026	3,127,613
Accrued interest receivable				23,941	23,941
Other receivables, net	216	6			222
Due from other funds	841,281				841,281
Advance to other funds				70,742	70,742
Inventories				134,291	134,291
Prepaid items	43,355				43,355
Total Assets	49,658,673	315,347	4,449,712	18,588,329	73,012,061
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	211,451	546	1,343,476	111,332	1,666,805
Due to other funds		314,801		470,858	785,659
Advances from other funds	70,742				70,742
Total Liabilities	282,193	315,347	1,343,476	582,190	2,523,206
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Inventory				134,291	134,291
Permanent fund principal				2,055,155	2,055,155
Advances				70,742	70,742
Prepaid items	43,355				43,355
<b>Restricted:</b>					
Debt service				13,554,801	13,554,801
Forestry improvement purposes				251,297	251,297
Grant activities				37,119	37,119
Unemployment benefits				498,258	498,258
Child Nutrition				211,076	211,076
<b>Committed:</b>					
Capital projects and renovations			3,106,236		3,106,236
Technology	3,294,075				3,294,075
Transportation	10,652,680				10,652,680
<b>Assigned:</b>					
Transportation				955,655	955,655
Capital projects and renovations	9,444,925				9,444,925
School activity funds	801,981				801,981
Athletic and band funds	340,579				340,579
Textbooks	305,588				305,588
Other purposes				237,745	237,745
<b>Unassigned</b>	24,493,297				24,493,297
Total Fund Balances	49,376,480	-	3,106,236	18,006,139	70,488,855
Total Liabilities and Fund Balances	\$ 49,658,673	315,347	4,449,712	18,588,329	73,012,061

**MADISON COUNTY SCHOOL DISTRICT**

**Governmental Funds**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2017**

**Exhibit C-1**

**Total fund balances for governmental funds** \$ 70,488,855

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	\$ 7,104,196	
Construction in progress	3,653,557	
Buildings	276,532,978	
Building improvements	10,984,573	
Improvements other than buildings	16,044,980	
Mobile equipment	2,566,312	
Furniture and equipment	5,593,287	
Accumulated depreciation	<u>(81,461,114)</u>	241,018,769

2. Some of the district's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.

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

Net pension liability		(181,553,348)
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions	43,616,131	
Deferred inflows of resources related to pensions	<u>(482,445)</u>	43,133,686

4. 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	(65,352,000)	
Limited obligation bonds	(1,580,000)	
Other bonds payable	(2,883,000)	
Compensated absences	(1,385,308)	
Unamortized charges	1,409,153	
Unamortized premiums	(1,980,975)	
Accrued interest payable	<u>(379,356)</u>	(72,151,486)

<b>Net Position of governmental activities</b>		<b><u>\$ 100,936,476</u></b>
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**MADISON COUNTY SCHOOL DISTRICT**

**Governmental Funds**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended June 30, 2017**

**Exhibit D**

	Major Funds			Other	Total
	General	IDEA	District	Governmental	Governmental
	Fund	Part B	Construction	Funds	Funds
	Fund	Fund	Fund		
<b>Revenues:</b>					
Local sources	\$ 59,651,009			13,366,711	73,017,720
State sources	56,596,209			2,663,873	59,260,082
Federal sources	315,733	2,773,732		5,752,008	8,841,473
Sixteenth section sources	1,419,690			85,917	1,505,607
Total Revenues	117,982,641	2,773,732	-	21,868,509	142,624,882
<b>Expenditures:</b>					
Instruction	65,236,440	939,864		6,295,651	72,471,955
Support services	45,169,582	1,833,868	29,291	2,454,806	49,487,547
Noninstructional services	98			5,380,106	5,380,204
Sixteenth section	149,450			19,274	168,724
Facilities acquisition and construction	50,077		3,625,100	1,195,320	4,870,497
Debt service:					
Principal				11,670,000	11,670,000
Interest	6,895			2,639,263	2,646,158
Other				29,552	29,552
Total Expenditures	110,612,542	2,773,732	3,654,391	29,683,972	146,724,637
Excess (Deficiency) of Revenues over (under) Expenditures	7,370,099	-	(3,654,391)	(7,815,463)	(4,099,755)
<b>Other Financing Sources (Uses):</b>					
Refund bonds issued				6,062,000	6,062,000
Insurance recovery	15,108				15,108
Payments held by escrow agent				223,493	223,493
Payment to refunded bond escrow agent				(6,095,367)	(6,095,367)
Payment to QSCB debt escrow agent				(223,493)	(223,493)
Sale of transportation equipment	15,029				15,029
Sale of other property	3,905				3,905
Operating transfers in	160,386		2,000,008	3,824,234	5,984,628
Operating transfers out	(5,523,530)			(461,098)	(5,984,628)
Total Other Financing Sources (Uses)	(5,329,102)	-	2,000,008	3,329,769	675
Net Change in Fund Balances	2,040,997	-	(1,654,383)	(4,485,694)	(4,099,080)
<b>Fund Balances:</b>					
July 1, 2016, as previously reported	47,307,678	-	4,608,147	22,595,271	74,511,096
Prior Period Adjustment	27,805		152,472	(74,321)	105,956
July 1, 2016, as restated	47,335,483	-	4,760,619	22,520,950	74,617,052
Increase (Decrease) in inventory		-	-	(29,117)	(29,117)
June 30, 2017	\$ 49,376,480	-	3,106,236	18,006,139	70,488,855

**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, 2017**

**Exhibit D-1**

**Net change in fund balances - total governmental funds** \$ (4,099,080)

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	\$ 6,408,023	
Depreciation expense	<u>(6,708,196)</u>	(300,173)

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. (28,332)

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:

Refunding bonds issued	(6,062,000)	
Payments of debt principal	11,670,000	
Payments to refunded bond escrow agent	6,095,367	
Accrued interest payable	<u>187,588</u>	11,890,955

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. The activities include:

Recording of pension expense for the current period	(26,797,258)	
Recording of contributions made subsequent to the measurement date	<u>10,837,891</u>	(15,959,367)

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	(303,639)	
Change in inventory	(29,117)	
Amortization of deferred charges, premiums and discounts	<u>26,859</u>	(305,897)

<b>Change in Net Position of governmental activities</b>	<b><u>\$ (8,801,894)</u></b>
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**MADISON COUNTY SCHOOL DISTRICT****Fiduciary Funds****Statement of Fiduciary Assets and Liabilities  
June 30, 2017****Exhibit E**

	Agency Funds
<b>Assets</b>	
Cash and cash equivalents	\$ 4,516,927
Cash with fiscal agent	45,000
NSF check chargebacks	511
Total Assets	<u>\$ 4,562,438</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 4,040,866
Due to other funds	55,622
Due to student clubs	465,950
Total Liabilities	<u>\$ 4,562,438</u>

**Madison County School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2017

# **MADISON COUNTY SCHOOL DISTRICT**

## **Notes to the Financial Statements For the Year Ended June 30, 2017**

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

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

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

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

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

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

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

The Statement of Net Position presents the District's non-fiduciary assets, 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

# MADISON COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements For the Year Ended June 30, 2017

given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

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

The school district reports the following major governmental funds:

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

**IDEA 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 and changes in 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 serves as a clearing fund for payables outstanding at year end.

Additionally, the school district reports the following fund types:

### GOVERNMENTAL FUNDS

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

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

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

**Permanent Funds** - Permanent Funds are used to account for and report resources that are

# MADISON COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements For the Year Ended June 30, 2017

restricted to the extent that only earnings, and not the principal, may be used for purposes that support the district's programs.

### FIDUCIARY FUNDS

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

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

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

# MADISON COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements For the Year Ended June 30, 2017

general revenues.

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

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

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2014*, 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."

# MADISON COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements For the Year Ended June 30, 2017

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

### 3. Due from Other Governments

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

### 4. Inventories and Prepaid Items

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

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

### 5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified School Construction Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16<sup>th</sup> Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

### 6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

# MADISON COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements For the Year Ended June 30, 2017

	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

See Note 5 for details.

### 7. Deferred outflows/inflows of resources

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

Deferred outflows – Pension

Deferred outflows – Deferred amounts on refunding of debt

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

Deferred inflows – Pension

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



# MADISON COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements For the Year Ended June 30, 2017

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.

### 11. Fund Balances

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

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

*Non-spendable 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 \$3,106,236 for capital projects and renovations, \$3,294,075 for technological improvements, and \$10,652,680 for student transportation.

*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 finance director 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

# MADISON COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements For the Year Ended June 30, 2017

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.

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

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

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

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

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

#### **Cash and Cash Equivalents**

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

# MADISON COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements For the Year Ended June 30, 2017

funds and fiduciary funds was \$ 65,407,070 and \$4,516,927, 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. As of June 30, 2017, none of the district's bank balance of \$73,418,935 was exposed to custodial credit risk.

### Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$608,129.

### Investments

As of June 30, 2017, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
U.S. Treasury SLGS Deposit	N/A	8	\$ 1,110,880
Municipal Bonds	AA	1 to 5	890,886
U.S Treasury/Agency Securities	AA+	1 to 5	75,158
Asset Backed Securities	Unrated	1 to 15	463,311
Corporate Bonds	AA+	1 to 5	260,182
Total			<u>\$ 2,800,417</u>

The district categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The district has the following recurring fair value measurements as of June 30, 2017:

Level 1 type of investments of \$2,800,417 are valued using quoted market prices (Level 1 inputs)

*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.

*Concentration of Credit Risk.* Disclosure of investments by amount and issuer for any issuer that represents

# MADISON COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements For the Year Ended June 30, 2017

five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments.

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

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

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

Receivable Fund	Payable Fund	Amount
General Fund	IDEA Part B Fund	\$ 314,801
	Other Governmental Funds	470,858
	Fiduciary Funds	55,622
Total		<u>\$ 841,281</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	\$ 70,742
Total		<u>\$ 70,742</u>

Sixteenth section principal loans payable

Note: The sixteenth section principal loans payable are not reflected on the Statement of Net Position because these funds were borrowed by the General Fund from the Sixteenth Section Trust Fund (Permanent Trust) in accordance with Section 29-3-113, Miss. Code Ann. (1972). The revenues and expenditures associated with these transactions are reflected on the Statement of Revenues, Expenditures and Changes in Fund Balances. The interest rate on the sixteenth section principal loans payable as of June 30, 2017 is four percent.

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

# MADISON COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements For the Year Ended June 30, 2017

Year Ending June 30	Principal	Interest	Total
2018	\$ 41,435	\$ 1,657	\$ 43,092
2019	29,307	1,172	30,479
Total	<u>\$ 70,742</u>	<u>\$ 2,829</u>	<u>\$ 73,571</u>

### C. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	District Construction Fund	\$ 2,000,008
	Other Governmental Funds	3,523,522
Other Governmental Funds	General Fund	160,386
	Other Governmental Funds	<u>300,712</u>
Total		<u>\$ 5,984,628</u>

Transfers represent indirect cost 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 \$301,062 , the cash with fiscal agent balance \$50,121 and investment balance \$1,689,537 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

In addition, the restricted assets represent the cash and cash equivalents of \$1,338,447 and cash with fiscal agents balance \$1,262 of the 2012 Refunding Limited Tax Notes Fund.

In addition, the restricted assets represent the cash and cash equivalents \$1,648,348 and the cash with fiscal agent totaling \$469,536 of the MAEP Limited Obligation Bond/Note Fund.

In addition, the restricted assets represent the cash and cash equivalents, cash with fiscal agents, and investment balance, totaling \$228,805, \$12,210, and \$1,110,880, respectively, of the QSCB Bond Retirement Fund.

# MADISON COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements For the Year Ended June 30, 2017

### Note 5 – Capital Assets

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

	Balance 7/1/2016	Increases	Decreases	Completed Construction	Adjustments	Balance 6/30/2017
<b>Governmental Activities:</b>						
<b>Non-depreciable capital assets:</b>						
Land	\$ 7,089,984	\$ 14,212				\$ 7,104,196
Construction-in-progress	13,582,833	4,856,285		(14,785,561)		3,653,557
Total non-depreciable capital assets	20,672,817	4,870,497	-	(14,785,561)	-	10,757,753
<b>Depreciable capital assets:</b>						
Buildings	262,531,448			14,001,530		276,532,978
Building improvements	10,236,407			748,166		10,984,573
Improvements other than buildings	15,224,574	784,541		35,865		16,044,980
Mobile equipment	2,225,945	443,786	103,419			2,566,312
Furniture and equipment	5,358,262	309,199	79,974		5,800	5,593,287
Total depreciable capital assets	295,576,636	1,537,526	183,393	14,785,561	5,800	311,722,130
<b>Less accumulated depreciation for:</b>						
Buildings	62,556,271	5,305,627				67,861,898
Building improvements	1,142,703	437,394				1,580,097
Improvements other than buildings	5,026,478	537,094			1,048	5,564,620
Mobile equipment	1,646,824	170,042	82,953			1,733,913
Furniture and equipment	4,527,848	258,039	72,108		6,807	4,720,586
Total accumulated depreciation	74,900,124	6,708,196	155,061	-	7,855	81,461,114
Total depreciable capital assets, net	220,676,512	(5,170,670)	28,332	14,785,561	(2,055)	230,261,016
Governmental activities capital assets, net	\$ 241,349,329	\$ (300,173)	\$ 28,332	-	(2,055)	\$ 241,018,769

Adjustments to capital assets were made to correct assets from prior period.

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 5,782,721
Support services	916,702
Non-instructional	8,773
Total depreciation expense	\$ 6,708,196

# MADISON COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements For the Year Ended June 30, 2017

The details of construction-in-progress are as follows:

	Spent to June 30, 2017	Remaining Commitment
<b>Governmental Activities:</b>		
New Bus/Operations/Maintenance Center	\$ 2,513,867	\$ 212,962
Olde Towne Middle HVAC and Interior Improvements	869,548	487,901
Preschool Expansion	179,662	159,328
Ridgeland HS improvements	90,480	110,294
Total governmental activities	<u>\$ 3,653,557</u>	<u>970,485</u>

Construction projects included in governmental activities are funded with district funds.

### Note 6 – Long-term Liabilities

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

	Balance 7/1/2016	Additions	Reductions	Refunded	Balance 6/30/2017	Amounts due within one year
A. General obligation bonds payable	\$ 76,120,000	6,062,000	10,790,000	(6,040,000)	65,352,000	9,315,000
B. Limited obligation bonds payable	2,460,000		880,000		1,580,000	1,580,000
C. Qualified school construction bonds payable	2,883,000				2,883,000	
D. Compensated absences payable	1,081,669	303,639			1,385,308	69,265
Total	<u>\$ 82,544,669</u>	<u>6,365,639</u>	<u>11,670,000</u>	<u>(6,040,000)</u>	<u>71,200,308</u>	<u>10,964,265</u>

#### A. General obligation bonds payable

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

# MADISON COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements For the Year Ended June 30, 2017

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. General Obligation refunding bonds, Series 2012	2.0-5.0%	5/22/2012	4/15/2025	\$ 25,600,000	\$ 19,840,000
2. General Obligation bonds, Series 2010	2.0 - 2.75 %	10/15/2010	4/15/2023	29,000,000	17,450,000
3. General Obligation refunding bonds, Series 2009	3.0 -3.625%	12/1/2009	12/1/2024	29,000,000	23,250,000
4. General Obligation bonds, Series 2008	3.0 - 4.0%	12/17/2008	9/1/2018	8,005,000	1,290,000
5. General Obligation refunding bonds, Series 2016	0.8 - 1.0%	11/7/2016	5/1/2019	6,062,000	3,522,000
Total				<u>\$ 97,667,000</u>	<u>\$ 65,352,000</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
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	2,540,000	432,000	2,972,000
2023-2025	8,260,000	667,600	8,927,600
Total	<u>\$ 19,840,000</u>	<u>3,844,100</u>	<u>23,684,100</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, 2017

### 2. Series 2010 issued on October 15, 2010:

Year Ending June 30	Principal	Interest	Total
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	3,500,000	195,000	3,695,000
2023	3,750,000	103,125	3,853,125
Total	<u>\$ 17,450,000</u>	<u>1,739,250</u>	<u>19,189,250</u>

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

### 3. Series 2009 issued on December 1, 2009:

Year Ending June 30	Principal	Interest	Total
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	3,500,000	410,000	3,910,000
2023-2025	9,750,000	464,375	10,214,375
Total	<u>\$ 23,250,000</u>	<u>3,546,875</u>	<u>26,796,875</u>

This debt will be retired from the 2009 GO Refunding Bond Debt Service Fund (4037).

### 4. Series 2008 issued on December 17, 2008:

Year Ending June 30	Principal	Interest	Total
2018	\$ 770,000	35,430	805,430
2019	520,000	10,400	530,400
Total	<u>\$ 1,290,000</u>	<u>45,830</u>	<u>1,335,830</u>

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

# MADISON COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements For the Year Ended June 30, 2017

5. Series 2016 issued on November 7, 2016:

Year Ending June 30	Principal	Interest	Total
2018	\$ 2,500,000	32,720	2,532,720
2019	1,022,000	10,220	1,032,220
Total	<u>\$ 3,522,000</u>	<u>42,940</u>	<u>3,564,940</u>

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

Total general obligation bond payments for all issues:

Year Ending June 30	Principal	Interest	Total
2018	\$ 9,315,000	2,138,438	11,453,438
2019	8,747,000	1,869,407	10,616,407
2020	7,305,000	1,607,775	8,912,775
2021	8,685,000	1,331,275	10,016,275
2022	9,540,000	1,037,000	10,577,000
2023-2025	21,760,000	1,235,100	22,995,100
Total	<u>\$ 65,352,000</u>	<u>9,218,995</u>	<u>74,570,995</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, 2017, the amount of outstanding bonded indebtedness was equal to 5% of property assessments as of October 1, 2016.

### B. Limited obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State Aid Capital Improvement refunding bonds, Series 2007	3.75%	12/1/2007	2/1/2018	<u>\$ 7,460,000</u>	<u>\$ 1,580,000</u>

## MADISON COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements For the Year Ended June 30, 2017

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

Year Ending June 30	Principal	Interest	Total
2018	\$ 1,580,000	41,852	1,621,852

This 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.

#### **C. Qualified school construction bonds payable**

Debt currently outstanding is as follows:

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

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

Qualified school construction bonds payable issue of January 14, 2010:

Year Ending June 30	Principal	Interest	Total
2018	\$	\$ 11,532	\$ 11,532
2019		11,532	11,532
2020		11,532	11,532
2021		11,532	11,532
2022		11,532	11,532
2023-2025	2,883,000	34,596	2,917,596
Total	\$ 2,883,000	\$ 92,256	\$ 2,975,256

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

# MADISON COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements For the Year Ended June 30, 2017

### D. Compensated absences payable

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

### Note 7 – Other Commitments

Commitments under construction contracts are described in Note 5.

Operating leases:

The school district has several operating leases for copiers. Lease expenditures for the year ended June 30, 2017, amounted to \$202,637.

Future lease payments for these leases are as follows:

Year Ending June 30	Amount
2018	\$ 221,241
2019	147,495
2020	99,543
2021	84,550
Total	<u>\$ 552,829</u>

Contracts:

The school district entered into a contract dated July 1, 2013, with First Student, Inc. to provide transportation services for the district. The term of this agreement began July 1, 2013 and ends at June 30, 2017. The agreement was not extended for a new term. The contract was based on an estimated school year comprised 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, 2017, totaled \$6,419,116 for route service. An additional amount of \$104,214 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.

### 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

# MADISON COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements For the Year Ended June 30, 2017

(601) 359-3589 or 1-800-444-PERS.

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

*Contributions.* PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2017 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, 2017, 2016 and 2015 were \$10,837,891, \$10,240,838 and \$9,746,047, 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, 2017, the school district reported a liability of \$181,553,348 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2017 net pension liability was 1.016394 percent, which was based on a measurement date of June 30, 2016. This was an increase of .025912 percent from its proportionate share used to calculate the June 30, 2016 net pension liability, which was based on a measurement date of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$26,797,258. At June 30, 2017 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

# MADISON COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements For the Year Ended June 30, 2017

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,986,833	\$
Net difference between projected and actual earnings on pension plan investments	12,756,047	
Changes of assumptions	8,340,620	482,445
Changes in proportion and differences between District contributions and proportionate share of contributions	6,694,741	
District contributions subsequent to the measurement date	10,837,891	
Total	\$ <u>43,616,131</u>	\$ <u>482,445</u>

\$10,837,891 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, 2018. 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 Ending June 30:	
2018	\$ 12,896,235
2019	8,967,088
2020	6,845,846
2021	3,586,628
Total	\$ <u>32,295,796</u>

*Actuarial assumptions.* The total pension liability in the June 30, 2016 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, 2016 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:

# MADISON COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements For the Year Ended June 30, 2017

<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. 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 the current employer contribution 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 members. 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	\$ 232,792,097	\$ 181,553,348	\$ 139,041,795

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

### Note 9 – Sixteenth Section Lands

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

# MADISON COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements For the Year Ended June 30, 2017

Year Ending June 30	Amount
2018	\$ 797,439
2019	750,617
2020	713,482
2021	623,405
2022	610,956
2023 – 2027	3,372,410
2028 – 2032	3,054,381
2033 – 2037	2,961,962
2038 – 2042	2,377,618
2043 – 2047	1,329,569
Thereafter	852,820
Total	<u>\$ 17,444,659</u>

### Note 10 – Prior Period Adjustments

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

#### Exhibit B - Statement of Activities

Explanation	Amount
1. To correct assets from a prior period	\$ (2,055)
2. An increase or decrease in revenues or expenditures within a prior period	105,956
Total	<u>\$ 103,901</u>

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

Fund	Explanation	Amount
General Fund	An increase or decrease in revenues or expenditures from a prior period	\$ 27,805
District Construction Fund	An increase or decrease in revenues or expenditures from a prior period	152,472
Other governmental funds	An increase or decrease in revenues or expenditures from a prior period	(74,321)
Total		<u>\$ 105,956</u>

### Note 11 – 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.



# MADISON COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements For the Year Ended June 30, 2017

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 12 – Risk Management

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

### Note 13 – Qualified School Construction Bonds

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

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

The school district makes equal annual payments into a sinking fund which is used to pay-off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2017 was \$1,351,895. The amount accumulated in the sinking fund at the end of the seventeen-year period is expected to be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2018	\$ 231,300
2019	231,300
2020	231,300
2021	231,300
2022	231,300
2023 – 2025	693,900
Total	<u>\$ 1,850,400</u>

# **MADISON COUNTY SCHOOL DISTRICT**

## **Notes to the Financial Statements For the Year Ended June 30, 2017**

### **Note 14 - Insurance loss recoveries**

The Madison County School District received \$15,108 in insurance loss recoveries related to the replacement of a vehicle and stolen/lost equipment during the 2016-2017 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as support services.

### **Note 15 – Effect of Deferred Amounts on Net Position**

The net investment in capital assets net position amount of \$170,631,947 includes the effect of deferring the recognition of expenditures resulting from a deferred outflow from advance refunding of school district debt. The \$1,409,153 balance of the deferred outflow of sources at June 30, 2017, will be recognized as an expense and decrease the net investment in capital assets net position over the next 8 years.

The unrestricted net position amount of (\$86,172,209) includes the effect of deferring the recognition of expenses resulting from a deferred outflow of pensions. A portion of the deferred outflow of resources related to pension in the amount of \$10,837,891 resulting from school district's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. The \$32,778,240 balance of deferred outflow of resources at June 30, 2017, will be recognized as an expense and will decrease the unrestricted net position over the next three years.

The unrestricted net position amount of (\$86,172,209) includes the effect of deferring the recognition of revenues resulting from a deferred inflow from pensions. The \$482,445 balance of the deferred inflow of resources at June 30, 2017 will be recognized as revenue and increase unrestricted net position over the remaining four years of the agreement.

### **Note 16 - Subsequent Events**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Madison County School District evaluated the activity of the district through the date the financial statements were available to be issued, and determined that the following subsequent events has occurred requiring disclosure in the notes to the financial statements:

On July 1, 2017, Madison County School District began a new contract with Durham School Services for the transportation of students. Under the new contract with Durham School Services, Durham will provide the maintenance of the buses and drivers to transport the students. Madison County School District will provide the fleet of buses. The district purchased 125 new buses that arrived in the district in the late July and early August in time for students to return to school to start the 2017-2018 school year. The cost of the buses to Madison County School District was \$10,652,680. The district purchased the buses from funds that were committed by the school board.

## REQUIRED SUPPLEMENTARY INFORMATION

**MADISON COUNTY SCHOOL DISTRICT**

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2017

**Exhibit 1**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 59,062,352	59,651,049	59,651,009	588,697	(40)
State sources	56,015,652	56,596,208	56,596,209	580,556	1
Federal sources		315,733	315,733	315,733	-
Sixteenth section sources	627,186	1,419,690	1,419,690	792,504	-
Total Revenues	<u>115,705,190</u>	<u>117,982,680</u>	<u>117,982,641</u>	<u>2,277,490</u>	<u>(39)</u>
<b>Expenditures:</b>					
Instruction	63,921,882	65,316,589	65,236,440	(1,394,707)	80,149
Support services	45,583,393	56,762,236	45,169,582	(11,178,843)	11,592,654
Noninstructional services		98	98	(98)	-
Sixteenth section	153,216	152,541	149,450	675	3,091
Facilities acquisition and construction		50,077	50,077	(50,077)	-
Debt service:					
Interest		6,896	6,895	(6,896)	1
Total Expenditures	<u>109,658,491</u>	<u>122,288,437</u>	<u>110,612,542</u>	<u>(12,629,946)</u>	<u>11,675,895</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>6,046,699</u>	<u>(4,305,757)</u>	<u>7,370,099</u>	<u>(10,352,456)</u>	<u>11,675,856</u>
<b>Other Financing Sources (Uses):</b>					
Insurance recovery		15,108	15,108	15,108	-
Sale of transportation equipment		15,029	15,029	15,029	-
Sale of other property		3,905	3,905	3,905	-
Transfers In	9,707,231	15,361,312	160,386	5,654,081	(15,200,926)
Transfers Out	(9,487,406)	(20,724,455)	(5,523,530)	(11,237,049)	15,200,925
Total Other Financing Sources (Uses)	<u>219,825</u>	<u>(5,329,101)</u>	<u>(5,329,102)</u>	<u>(5,548,926)</u>	<u>(1)</u>
Net Change in Fund Balances	<u>6,266,524</u>	<u>(9,634,858)</u>	<u>2,040,997</u>	<u>(15,901,382)</u>	<u>11,675,855</u>
<b>Fund Balances:</b>					
July 1, 2016, as previously reported	39,239,727	47,307,678	47,307,678	8,067,951	-
Prior period adjustments		27,805	27,805	27,805	-
July 1, 2016, as restated	<u>39,239,727</u>	<u>47,335,483</u>	<u>47,335,483</u>	<u>8,095,756</u>	<u>-</u>
June 30, 2017	\$ 45,506,251	37,700,625	49,376,480	(7,805,626)	11,675,855

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

**MADISON COUNTY SCHOOL DISTRICT**

Budgetary Comparison Schedule

IDEA Part B Fund

For the Year Ended June 30, 2017

**Exhibit 2**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 2,917,101	2,859,312	2,773,732	(57,789)	(85,580)
Total Revenues	<u>2,917,101</u>	<u>2,859,312</u>	<u>2,773,732</u>	<u>(57,789)</u>	<u>(85,580)</u>
<b>Expenditures:</b>					
Instruction	1,036,555	980,067	939,864	56,488	40,203
Support services	1,856,856	1,878,745	1,833,868	(21,889)	44,877
Non-instructional services		500		(500)	500
Total Expenditures	<u>2,893,411</u>	<u>2,859,312</u>	<u>2,773,732</u>	<u>34,099</u>	<u>85,580</u>
Net Change in Fund Balances	<u>23,690</u>	<u>-</u>	<u>-</u>	<u>(23,690)</u>	<u>-</u>
Fund Balances:					
July 1, 2016	(15,509)			15,509	-
June 30, 2017	\$ <u>8,181</u>	<u>-</u>	<u>-</u>	<u>(8,181)</u>	<u>-</u>

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

**Madison County School District**

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

## PERS

## Last 10 Fiscal Years\*

	2017	2016	2015
District's proportion of the net pension liability (asset) \$	181,553,348	153,108,985	114,645,371
District's proportionate share of the net pension liability (asset)	1.016394%	0.990482%	0.944503%
District's covered payroll	65,021,194	61,879,663	57,740,330
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	279.22%	247.43%	198.55%
Plan fiduciary net position as a percentage of the total pension liability	57.47%	61.70%	67.21%

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.

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

	2017	2016	2015
Contractually required contribution	\$ 10,837,891	10,240,838	9,746,047
Contributions in relation to the contractually required contribution	10,837,891	10,240,838	9,746,047
Contribution deficiency (excess)	\$ -	-	-
District's covered payroll	68,812,006	65,021,194	61,879,663
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%

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

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

## **Madison County School District**

### Notes to the Required Supplementary Information For the Year Ended June 30, 2017

#### Budgetary Comparison Schedules

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

#### Pension Schedules

(1) Change of Benefit Provisions

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent

(2) 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 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.

In 2016 the assumed rate of interest credited to employee contributions was changed from 3.5% to 2.00%.



## SUPPLEMENTARY INFORMATION

**MADISON COUNTY SCHOOL DISTRICT**

## Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2017

Federal Grantor/ Pass-through Grantor/ Program Title/	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<b><u>U. S. Department of Agriculture</u></b>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 566,427
National School Lunch Program	10.555	2,823,263
Total Child Nutrition Cluster		3,389,690
Total passed-through the Mississippi Department of Education		3,389,690
<b>Total U.S. Department of Agriculture</b>		<b>3,389,690</b>
<b><u>U. S. Department of Defense</u></b>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	164,271
Total Direct Program		164,271
<b>Total U.S. Department of Defense</b>		<b>164,271</b>
<b><u>U. S. Department of Education</u></b>		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	1,917,457
Career and Technical Education - Basic Grant to States	84.048	109,373
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126	2,590
Twenty-first Century Community Learning Centers	84.287	24,802
English Language Acquisition State Grants	84.365	31,091
Supporting Effective Instruction State Grants	84.367	326,720
Subtotal		2,412,033
Special Education Cluster:		
Special Education - Grants to States	84.027	2,798,296
Special Education - Preschool Grants	84.173	76,757
Total Special Education Cluster		2,875,053
Total passed-through the Mississippi Department of Education		5,287,086
<b>Total U.S. Department of Education</b>		<b>5,287,086</b>
<b><u>U. S. Department of Health and Human Services</u></b>		
Passed-through the Mississippi Department of Education:		
Medical Assistance Program	93.778	17,712
Total passed-through the Mississippi Department of Education		17,712
<b>Total U.S. Department of Health and Human Services</b>		<b>17,712</b>
Total for All Federal Awards		\$ <b>8,858,759</b>

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

**MADISON COUNTY SCHOOL DISTRICT**

## Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2017

<b>Expenditures</b>	<b>Total</b>	<b>Instruction and Other Student Instructional Expenditures</b>	<b>General Administration</b>	<b>School Administration</b>	<b>Other</b>
Salaries and fringe benefits \$	92,164,910	76,469,409	2,255,415	7,947,182	5,492,904
Other	54,559,727	13,121,968	958,227	290,277	40,189,255
Total	<u>\$ 146,724,637</u>	<u>89,591,377</u>	<u>3,213,642</u>	<u>8,237,459</u>	<u>45,682,159</u>
Total number of students *	<u>13,143</u>				
Cost per student \$	<u>11,164</u>	<u>6,817</u>	<u>245</u>	<u>627</u>	<u>3,476</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 functions: 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

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

## Madison County School District

Notes to the Supplementary Information  
For the Year Ended June 30, 2017

### Schedule of Expenditures of Federal Awards

#### (1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of the school district under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the school district, it is not intended to and does not present the financial position, changes in net position, or cash flows of the school district.

#### (2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are presented on the same basis of accounting and the same significant accounting policies, as applicable, as those used for the financial statements; however, the expenditures include transfers out. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

#### (3) Indirect Cost Rate

The school district did not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

#### (4) Other Items

The pass-through entities did not assign identifying numbers to the school district.

Donated commodities of \$355,766 are included in the National School Lunch Program.

E-Rate funds have not been included in this schedule due to the fact the FCC considers the support to be in the form of providing a discount to schools and libraries and does not consider the assistance to be direct financial support.

### Schedule of Instructional Administrative and Other Expenditures - Governmental Funds

#### (1) Basis of Accounting

This schedule is presented on the same basis of accounting and the same significant accounting policies, as applicable, as those used for the financial statements.

## OTHER INFORMATION

**MADISON COUNTY SCHOOL DISTRICT**

Statement of Revenues, Expenditures and Changes in Fund Balances  
General Fund  
Last Four Years

"UNAUDITED"

	2017	2016*	2015*	2014*
<b>Revenues:</b>				
Local sources	\$ 59,651,009	56,998,919	52,474,451	48,235,258
State sources	56,596,209	54,894,968	51,616,773	50,294,425
Federal sources	315,733	273,596	377,751	27,796
Sixteenth section sources	1,419,690	1,313,292	1,343,436	
Total Revenues	<u>117,982,641</u>	<u>113,480,775</u>	<u>105,812,411</u>	<u>98,557,479</u>
<b>Expenditures:</b>				
Instruction	65,236,440	62,395,145	60,025,958	55,561,610
Support services	45,169,582	40,003,027	41,393,796	36,575,310
Noninstructional services	98			
Sixteenth section	149,450	166,576	174,962	
Facilities acquisition and construction	50,077	292,261	5,167,050	95,439
Debt service:				
Interest	6,895	8,454	9,952	11,390
Total Expenditures	<u>110,612,542</u>	<u>102,865,463</u>	<u>106,771,718</u>	<u>92,243,749</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>7,370,099</u>	<u>10,615,312</u>	<u>(959,307)</u>	<u>6,313,730</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds of bonds and notes	15,108	3,500,000		
Insurance loss recoveries		18,318	2,822	811
Sale of transportation equipment	15,029	17,888		
Sale of other property	3,905		1,300,000	
Operating transfers in	160,386	273,353	38,106	8,568
Other financing sources		3,216	1,805	30
Operating transfers out	(5,523,530)	(10,778,835)	(2,788,642)	(2,708,896)
Other financing uses		(398)		
Total Other Financing Sources (Uses)	<u>(5,329,102)</u>	<u>(6,966,458)</u>	<u>(1,445,909)</u>	<u>(2,699,487)</u>
Net Change in Fund Balances	<u>2,040,997</u>	<u>3,648,854</u>	<u>(2,405,216)</u>	<u>3,614,243</u>
<b>Fund Balances:</b>				
July 1, as previously reported	47,307,678	43,658,824	31,496,780	27,882,537
Fund reclassification			14,507,160	
Prior period adjustments	27,805		60,100	
July 1, as restated	<u>47,335,483</u>	<u>43,658,824</u>	<u>46,064,040</u>	<u>27,882,537</u>
June 30,	<u>\$ 49,376,480</u>	<u>47,307,678</u>	<u>43,658,824</u>	<u>31,496,780</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**MADISON COUNTY SCHOOL DISTRICT**

## Statement of Revenues, Expenditures and Changes in Fund Balances

## All Governmental Funds

## Last Four Years

"UNAUDITED"

	2017	2016*	2015*	2014*
<b>Revenues:</b>				
Local sources	\$ 73,017,720	69,940,307	67,317,441	65,863,515
State sources	59,260,082	58,015,312	54,732,849	53,410,551
Federal sources	8,841,473	8,709,512	7,847,151	7,989,729
Sixteenth section sources	1,505,607	1,430,916	1,484,641	1,382,266
Total Revenues	<u>142,624,882</u>	<u>138,096,047</u>	<u>131,382,082</u>	<u>128,646,061</u>
<b>Expenditures:</b>				
Instruction	72,471,955	69,430,520	66,401,084	62,807,848
Support services	49,487,547	44,096,345	44,954,803	39,714,688
Noninstructional services	5,380,204	5,446,221	5,020,582	5,281,093
Sixteenth section	168,724	195,757	238,266	248,361
Facilities acquisition and construction	4,870,497	9,766,513	20,726,578	4,287,099
Debt service:				
Principal	11,670,000	12,390,000	8,195,000	11,380,000
Interest	2,646,158	3,079,045	3,346,811	3,708,737
Other	29,552	17,047	13,506	18,941
Total Expenditures	<u>146,724,637</u>	<u>144,421,448</u>	<u>148,896,630</u>	<u>127,446,767</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(4,099,755)</u>	<u>(6,325,401)</u>	<u>(17,514,548)</u>	<u>1,199,294</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds of bonds and notes	6,062,000	3,500,000		
Refund bonds issued				
Insurance recovery	15,108	18,318	2,822	811
Payments held by escrow agent	223,493	223,146	231,863	231,751
Payment to refunded bond escrow agent	(6,095,367)			
Payment to QSCB debt escrow agent	(223,493)	(223,146)	(231,863)	(231,751)
Sale of transportation equipment	15,029	17,888		
Sale of other property	3,905	1,050,000	1,300,000	
Operating transfers in	5,984,628	11,052,188	3,288,419	2,976,461
Other financing sources		3,216	1,823	30
Operating transfers out	(5,984,628)	(11,052,188)	(3,288,419)	(2,976,461)
Other financing uses		(398)		
Total Other Financing Sources (Uses)	<u>675</u>	<u>4,589,024</u>	<u>1,304,645</u>	<u>841</u>
Net Change in Fund Balances	<u>(4,099,080)</u>	<u>(1,736,377)</u>	<u>(16,209,903)</u>	<u>1,200,135</u>
<b>Fund Balances:</b>				
July 1, as previously reported	74,511,096	76,168,281	92,288,378	91,077,964
Prior period adjustment	105,956		63,107	4,094
July 1, as restated	<u>74,617,052</u>	<u>76,168,281</u>	<u>92,351,485</u>	<u>91,082,058</u>
Increase (decrease) in inventory	(29,117)	79,192	26,699	6,185
June 30,	<u>\$ 70,488,855</u>	<u>74,511,096</u>	<u>76,168,281</u>	<u>92,288,378</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

## REPORTS ON INTERNAL CONTROL AND COMPLIANCE



FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Madison County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Madison County School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Madison County School District's basic financial statements, and have issued our report thereon dated October 27, 2017.

**Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or 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 the Madison County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC  
October 27, 2017

Certified Public Accountants

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY 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 Madison County School District's major federal programs for the year ended June 30, 2017. The Madison County School District's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with 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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and 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 the school district's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

## Opinion on Each Major Federal Program

In our opinion, the Madison County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

## Report on Internal Control Over Compliance

Management of the Madison County School District is responsible for establishing and maintaining effective internal control over compliance with the type 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 the school district's internal control over compliance.

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

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

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

*Fortenberry & Ballard, PC*

Fortenberry & Ballard, PC  
October 27, 2017

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Madison County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Madison County School District as of and for the year ended June 30, 2017, which collectively comprise Madison County School District's basic financial statements and have issued our report thereon dated October 27, 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 ensure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance.

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instance of noncompliance with other state laws and regulations.

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

## **Finding #1:**

### Criteria:

Section 25-11-127, Miss. Code of 1972, as amended, requires that the school district files the PERS Form 4B (Re-employment of PERS Service Retiree Certification/Acknowledgment) within 5 days of employment if the prospective employee is a PERS retiree.

### Condition:

During the testing of retired personnel, we noted 10 instances in which re-hired employees' forms were not filed timely.

### Cause:

The system was not in place to make sure the forms involved were filed in a timely manner.

### Effect:

School District is not in compliance with Section 25-11-127, Miss. Code of 1972.

### Recommendation:

PERS Form 4B must be properly completed by the PERS service retiree and the form should be filed within (5) days of employment.

### Response:

The human resource department has implemented new procedures to ensure that the form 4B's are completed before the board approves hiring of new staff or renewing staff from a previous period. All substitutes will be re-recommended each year before the start of school. The new procedures by Human resources will ensure that the Form 4-B is completed within five working days of the retiree working with the district.

The Office of the State Auditor or a public accounting firm will review, on the subsequent year's audit engagement, the finding in this report to ensure that corrective action has been taken.

The Madison County School District's response to the finding included in this report was not audited and, accordingly, we express no opinion on it.

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

*Fortenberry & Ballard, PC*

Fortenberry & Ballard, PC  
October 27, 2017

Certified Public Accountants

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS



## Madison County School District

### Schedule of Findings and Questioned Costs For the Year Ended June 30, 2017

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

##### Financial Statements:

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

##### Federal Awards:

4. Internal control over major programs:
  - a. Material weakness(es) identified? No.
  - b. Significant deficiency(ies) identified? None reported.
5. Type of auditor's report issued on compliance for major programs: Unmodified
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No.
7. Identification of major programs:

CFDA Numbers:	Name of Federal Program or Cluster
84.010	Title I Grants to Local Educational Agencies
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.

#### Section II: Financial Statements Findings

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

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

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

## SUMMARY OF PRIOR YEAR AUDIT FINDINGS

## SUMMARY OF PRIOR YEAR AUDIT FINDINGS

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards(UG), the Madison County School District has prepared and hereby submits the following prior year audit findings follow-up as of June 30, 2017:

Finding	Status
2016-001	Corrected