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**Madison County School District**

Audited Financial Statements  
For the Year Ended June 30, 2018

**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, 2018, 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, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 1 to the financial statements, the school district adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result, net position as of July 1, 2017, has been restated. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions (PERS), the Schedule of the District's Proportionate Share of the Net OPEB Liability, and the Schedule of District Contributions (OPEB) on pages 8 to 15 and 52 to 60, 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 March 12, 2019, 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  
March 12, 2019

Certified Public Accountants



## MANAGEMENT'S DISCUSSION AND ANALYSIS

## **MADISON COUNTY SCHOOL DISTRICT**

### **Management's Discussion and Analysis For the Year Ended June 30, 2018**

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, 2018. 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 2018 decreased \$12,055,451, including a prior period adjustment of (\$9,132,338), which represents a 12% decrease from fiscal year 2017. Total net position for 2017 decreased \$8,697,993, including a prior period adjustment of \$103,901, which represents an 8% decrease from fiscal year 2016.
- General revenues amounted to \$131,383,404 and \$126,577,789, or 89% and 89% of all revenues for fiscal years 2018 and 2017, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$16,700,023, or 11% of total revenues for 2018, and \$16,062,201, or 11% of total revenues for 2017.
- The District had \$151,006,540 and \$151,441,884 in expenses for fiscal years 2018 and 2017; only \$16,700,023 for 2018 and \$16,062,201 for 2017 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$131,383,404 for 2018 and \$126,577,789 for 2017 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$121,359,282 in revenues and \$118,516,914 in expenditures for 2018, and \$117,982,641 in revenues and \$110,612,542 in expenditures in 2017. The General Fund's fund balance increased by \$1,346,901 from 2017 to 2018 and increased by \$2,068,802 from 2016 to 2017.
- Capital assets, net of accumulated depreciation, increased by \$5,541,021 for 2018 and decreased by \$330,560 for 2017. The increase for 2018 was mainly due to additions to construction in progress and mobile equipment.
- Long-term debt decreased by \$11,216,606 for 2018 and decreased by \$11,344,361 for 2017. This decrease for 2018 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$321,606 for 2018 and increased by \$303,639 for 2017.

#### **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, 2018

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, OPEB 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.

## **MADISON COUNTY SCHOOL DISTRICT**

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

For the Year Ended June 30, 2018

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

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

A net pension liability and net OPEB liability result in liabilities on the government-wide financial statements but are 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, Schedule of District Contributions (PERS), Schedule of the District's Proportionate Share of the Net OPEB Liability, and Schedule of District Contributions (OPEB) 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 \$88,881,025 as of June 30, 2018.

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, 2018 and June 30, 2017.

**MADISON COUNTY SCHOOL DISTRICT**

## Management's Discussion and Analysis

For the Year Ended June 30, 2018

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

	<b>June 30, 2018</b>	<b>June 30, 2017</b>	<b>Percentage Change</b>
Current assets	\$ 63,317,684	\$ 65,305,452	-3.04 %
Restricted assets	6,334,634	6,850,208	-7.53 %
Capital assets, net	246,559,790	241,018,769	2.30 %
<b>Total assets</b>	<b>316,212,108</b>	<b>313,174,429</b>	<b>0.97 %</b>
<b>Deferred outflows of resources</b>	<b>28,853,015</b>	<b>45,025,284</b>	<b>-35.92 %</b>
Current liabilities	1,758,648	2,046,161	-14.05 %
Long-term debt outstanding	61,717,055	73,181,283	-15.67 %
Net OPEB Liability	9,623,231	-	N/A %
Net pension liability	178,313,163	181,553,348	-1.78 %
<b>Total liabilities</b>	<b>251,412,097</b>	<b>256,780,792</b>	<b>-2.09 %</b>
<b>Deferred inflows of resources</b>	<b>4,772,001</b>	<b>482,445</b>	<b>889.13 %</b>
<b>Net position:</b>			
Net investment in capital assets	187,094,830	170,631,947	9.65 %
Restricted	15,058,762	16,476,738	-8.61 %
Unrestricted	(113,272,567)	(86,172,209)	-31.45 %
<b>Total net position</b>	<b>\$ 88,881,025</b>	<b>\$ 100,936,476</b>	<b>-11.94 %</b>

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (113,272,567)
Less unrestricted deficit in net position resulting from recognition of the net pension liability and net OPEB liability, including the related deferred outflows and deferred inflows	165,043,773
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	\$ 51,771,206

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

- Increase in net capital assets in the amount of \$5,541,021.
- The principal retirement of \$10,895,000 of long-term debt.
- Implementation of GASB 75 which resulted in the recognition of a net OPEB liability in the amount of \$9,623,231.

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2018 and June 30, 2017 were \$148,083,427 and \$142,639,990, respectively. The total cost of all programs and services was \$151,006,540 for 2018 and \$151,441,884 for 2017.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2018 and June 30, 2017.

**MADISON COUNTY SCHOOL DISTRICT**Management's Discussion and Analysis  
For the Year Ended June 30, 2018**Table 2**  
**Changes in Net Position**

	<b>Year Ended June 30, 2018</b>	<b>Year Ended June 30, 2017</b>	<b>Percentage Change</b>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 4,724,312	\$ 4,782,801	(1.22) %
Operating grants and contributions	11,975,711	11,279,400	6.17 %
General revenues:			
Property taxes	69,495,467	67,140,303	3.51 %
Grants and contributions not restricted	57,937,301	56,822,155	1.96 %
Investment earnings	613,867	175,709	249.37 %
Sixteenth section sources	1,026,613	1,398,347	(26.58) %
Other	2,310,156	1,041,275	121.86 %
<b>Total revenues</b>	<b>148,083,427</b>	<b>142,639,990</b>	<b>3.82 %</b>
<b>Expenses:</b>			
Instruction	70,843,307	69,927,789	1.31 %
Support services	44,161,410	46,836,560	(5.71) %
Non-instructional	4,778,174	5,250,290	(8.99) %
Sixteenth section	185,726	168,724	10.08 %
Pension expense	28,387,447	26,797,258	5.93 %
OPEB expense	544,834	-	N/A %
Interest on long-term liabilities	2,105,642	2,461,263	(14.45) %
<b>Total expenses</b>	<b>151,006,540</b>	<b>151,441,884</b>	<b>(0.29) %</b>
<b>Increase (Decrease) in net position</b>	<b>(2,923,113)</b>	<b>(8,801,894)</b>	<b>66.79 %</b>
<b>Net Position, July 1, as previously reported</b>	<b>100,936,476</b>	<b>109,634,469</b>	<b>(7.93) %</b>
<b>Prior Period Adjustment</b>	<b>(9,132,338)</b>	<b>103,901</b>	<b>(8,889.46) %</b>
<b>Net Position, July 1, as restated</b>	<b>91,804,138</b>	<b>109,738,370</b>	<b>(16.34) %</b>
<b>Net Position, June 30</b>	<b>\$ 88,881,025</b>	<b>\$ 100,936,476</b>	<b>(11.94) %</b>

**Governmental activities**

The following table presents the cost of seven major District functional activities: instruction, support services, non-instructional, sixteenth section, pension expense, OPEB 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, 2018

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

	<b>Total Expenses</b>		<b>Percentage Change</b>
	<b>2018</b>	<b>2017</b>	
Instruction	\$ 70,843,307	\$ 69,927,789	1.31 %
Support services	44,161,410	46,836,560	(5.71) %
Non-instructional	4,778,174	5,250,290	(8.99) %
Sixteenth section	185,726	168,724	10.08 %
Pension expense	28,387,447	26,797,258	5.93 %
OPEB expense	544,834	-	N/A %
Interest on long-term liabilities	2,105,642	2,461,263	(14.45) %
<b>Total expenses</b>	<b>\$ 151,006,540</b>	<b>\$ 151,441,884</b>	<b>(0.29) %</b>

  

	<b>Net (Expense) Revenue</b>		<b>Percentage Change</b>
	<b>2018</b>	<b>2017</b>	
Instruction	\$ (63,347,247)	\$ (63,105,939)	(0.38) %
Support services	(40,735,673)	(43,416,254)	6.17 %
Non-instructional	1,000,052	490,962	103.69 %
Sixteenth section	(185,726)	(89,931)	(106.52) %
Pension expense	(28,387,447)	(26,797,258)	(5.93) %
OPEB expense	(544,834)	-	N/A %
Interest on long-term liabilities	(2,105,642)	(2,461,263)	14.45 %
<b>Total net (expense) revenue</b>	<b>\$ (134,306,517)</b>	<b>\$ (135,379,683)</b>	<b>0.79 %</b>

- Net cost of governmental activities (\$134,306,517) for 2018 and (\$135,379,683) for 2017 was financed by general revenue, which is primarily made up of property taxes (\$69,495,467 for 2018 and \$67,140,303 for 2017) and state and federal revenues (\$57,937,301 for 2018 and \$56,822,155 for 2017). In addition, there was \$1,026,613 and \$1,398,347 in Sixteenth Section sources for 2018 and 2017, respectively.
- Investment earnings amounted to \$613,867 for 2018 and \$175,709 for 2017.

## 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 \$68,198,602, a decrease of \$2,290,253, which includes a prior period adjustment of \$53,107 and a decrease in inventory of \$45,192. \$38,898,222 or 57% 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 \$29,300,380 or 43% is either non-spendable, 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, 2018

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 \$1,346,901, including a prior period adjustment of \$20,249. The fund balance of Other Governmental Funds showed a decrease in the amount of \$1,285,053. The decrease in the fund balances for the other major funds were as follows:

<u>Major Fund</u>		<u>Increase (Decrease)</u>
School Food Service Fund	\$	9,873
District Construction Fund	\$	(2,361,974)

## 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, 2018, the District's total capital assets were \$335,678,868, including land, construction in progress, school buildings, building improvements, improvements other than buildings, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$13,198,985 from 2017. Total accumulated depreciation as of June 30, 2018, was \$89,119,078, and total depreciation expense for the year was \$7,744,078, resulting in total net capital assets of \$246,559,790.

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

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Percentage Change</u>
Land	\$ 7,116,881	\$ 7,104,196	0.18 %
Construction in Progress	886,051	3,653,557	(75.75) %
Buildings	206,521,374	208,671,080	(1.03) %
Building improvements	10,765,747	9,404,476	14.47 %
Improvements other than buildings	10,115,230	10,480,360	(3.48) %
Mobile equipment	10,438,281	832,399	1,154.00 %
Furniture and equipment	716,226	872,701	(17.93) %
<b>Total</b>	<b>\$ 246,559,790</b>	<b>\$ 241,018,769</b>	<b>2.30 %</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, 2018

**Debt Administration.** At June 30, 2018, the District had \$59,983,702 in outstanding long-term debt, of which \$8,800,185 is due within one year. The liability for compensated absences decreased \$321,606 from the prior year.

**Table 5  
Outstanding Long-Term Debt**

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 56,037,000	\$ 65,352,000	(14.25) %
Limited obligation bonds payable	-	1,580,000	(100.00) %
Qualified school construction bonds payable	2,883,000	2,883,000	0.00 %
Compensated absences payable	1,063,702	1,385,308	(23.22) %
<b>Total</b>	<b>\$ 59,983,702</b>	<b>\$ 71,200,308</b>	<b>(15.75) %</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.

## 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, 2018**

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 60,472,645
Cash with fiscal agents	30,000
Due from other governments	2,701,847
Accrued interest receivable	22,946
Other receivables, net	1,147
Inventories	89,099
Restricted assets	6,334,634
Capital assets, non-depreciable:	
Land	7,116,881
Construction in progress	886,051
Capital assets, net of accumulated depreciation:	
Buildings	206,521,374
Building improvements	10,765,747
Improvements other than buildings	10,115,230
Mobile equipment	10,438,281
Furniture and equipment	716,226
Total Assets	<u>316,212,108</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflows - advance refunding of debt	1,188,393
Deferred outflows - pensions	26,871,406
Deferred outflows - OPEB	793,216
Total Deferred Outflows of Resources	<u>28,853,015</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	1,453,716
Interest payable on long-term liabilities	304,932
Long-term liabilities, due within one year:	
Capital related liabilities	8,747,000
Non-capital related liabilities	53,185
Net OPEB liability	388,970
Long-term liabilities, due beyond one year:	
Capital related liabilities	50,173,000
Capital related bond premiums	1,733,353
Non-capital related liabilities	1,010,517
Net pension liability	178,313,163
Net OPEB liability	9,234,261
Total Liabilities	<u>251,412,097</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows - pensions	4,281,990
Deferred inflows - OPEB	490,011
Total Deferred Inflows of Resources	<u>4,772,001</u>
<b>Net Position</b>	
Net investment in capital assets	187,094,830
Restricted for:	
Expendable:	
School-based activities	670,988
Debt service	11,523,015
Forestry improvements	250,352
Unemployment benefits	473,756
Non-expendable:	
Sixteenth section	2,140,651
Unrestricted	(113,272,567)
Total Net Position	<u>\$ 88,881,025</u>

**MADISON COUNTY SCHOOL DISTRICT**

**Statement of Activities**

**Exhibit B**

**For the Year Ended June 30, 2018**

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	\$ 70,843,307	\$ 2,259,579	\$ 5,236,481	\$ (63,347,247)
Support services	44,161,410	2,450	3,423,287	(40,735,673)
Non-instructional	4,778,174	2,462,283	3,315,943	1,000,052
Sixteenth section	185,726	-	-	(185,726)
Pension expense	28,387,447	-	-	(28,387,447)
OPEB expense	544,834	-	-	(544,834)
Interest on long-term liabilities	2,105,642	-	-	(2,105,642)
Total Governmental Activities	<u>\$ 151,006,540</u>	<u>\$ 4,724,312</u>	<u>\$ 11,975,711</u>	<u>\$ (134,306,517)</u>
General Revenues:				
Taxes:				
General purpose levies				58,982,353
Debt purpose levies				10,513,114
Unrestricted grants and contributions:				
State				57,937,301
Unrestricted investment earnings				613,867
Sixteenth section sources				1,026,613
Other				2,310,156
Total General Revenues				<u>131,383,404</u>
Change in Net Position				<u>(2,923,113)</u>
Net Position - Beginning, as previously reported				100,936,476
Prior Period Adjustments				<u>(9,132,338)</u>
Net Position - Beginning, as restated				<u>91,804,138</u>
Net Position - Ending				<u>\$ 88,881,025</u>

**MADISON COUNTY SCHOOL DISTRICT**

**Governmental Funds**

**Balance Sheet**

**Exhibit C**

**June 30, 2018**

	Major Funds			Other	Total
	General	School	District	Governmental	Governmental
	Fund	Food Service	Construction	Funds	Funds
		Fund	Fund		
<b>Assets</b>					
Cash and cash equivalents	\$ 48,554,979	\$ 670,706	\$ 1,521,389	\$ 12,941,670	\$ 63,688,744
Cash with fiscal agents	30,000			81,700	111,700
Investments				3,036,835	3,036,835
Due from other governments	1,761,477	3,335		863,722	2,628,534
Accrued interest receivable				22,946	22,946
Other receivables, net	1,147				1,147
Due from other funds	887,697				887,697
Advance to other funds				29,307	29,307
Inventories		89,099			89,099
Total assets	\$ 51,235,300	\$ 763,140	\$ 1,521,389	\$ 16,976,180	\$ 70,496,009
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 482,612	\$ 107,900	\$ 777,127	\$ 86,077	\$ 1,453,716
Due to other funds		300,000		514,384	814,384
Advances from other funds	29,307				29,307
Total Liabilities	511,919	407,900	777,127	600,461	2,297,407
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Inventory		89,099			89,099
Permanent fund principal				2,111,344	2,111,344
Advances				29,307	29,307
<b>Restricted:</b>					
Debt service				11,827,947	11,827,947
Forestry improvement purposes				250,352	250,352
Grant activities		266,141		315,748	581,889
Unemployment benefits				473,756	473,756
<b>Committed:</b>					
Technology	4,264,510				4,264,510
<b>Assigned:</b>					
Capital improvements	6,278,213		744,262	1,367,265	8,389,740
Special education	7,275				7,275
Activity Funds	1,275,161				1,275,161
<b>Unassigned</b>	38,898,222				38,898,222
Total Fund Balances	50,723,381	355,240	744,262	16,375,719	68,198,602
Total Liabilities and Fund Balances	\$ 51,235,300	\$ 763,140	\$ 1,521,389	\$ 16,976,180	\$ 70,496,009

## MADISON COUNTY SCHOOL DISTRICT

## Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2018

Exhibit C-1

Total fund balances for governmental funds \$ 68,198,602

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	\$ 7,116,881	
Construction in progress	886,051	
Buildings	279,753,612	
Building improvements	12,858,182	
Improvements other than buildings	16,224,110	
Mobile equipment	13,272,084	
Furniture and equipment	5,567,948	
Accumulated depreciation	(89,119,078)	246,559,790

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

Net pension liability (178,313,163)

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	26,871,406	
Deferred inflows of resources related to pensions	(4,281,990)	(155,723,747)

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

Net OPEB liability (9,623,231)

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

Deferred outflows of resources related to OPEB	793,216	
Deferred inflows of resources related to OPEB	(490,011)	(9,320,026)

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	(56,037,000)	
Other bonds payable	(2,883,000)	
Compensated absences	(1,063,702)	
Unamortized charges	1,188,393	
Unamortized premiums	(1,733,353)	
Accrued interest payable	(304,932)	(60,833,594)

Net position of governmental activities

\$ 88,881,025

**MADISON COUNTY SCHOOL DISTRICT**

**Governmental Funds**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended June 30, 2018**

**Exhibit D**

	Major Funds			Other	Total
	General	School	District	Governmental	Governmental
	Fund	Food Service	Construction	Funds	Funds
		Fund	Fund		
<b>Revenues:</b>					
Local sources	\$ 62,008,334	\$ 2,412,265	\$	\$ 11,140,647	\$ 75,561,246
State sources	58,282,934	48,804		3,354,605	61,686,343
Federal sources	62,990	3,414,632		4,749,047	8,226,669
Sixteenth section sources	1,005,024			21,589	1,026,613
Total Revenues	121,359,282	5,875,701	-	19,265,888	146,500,871
<b>Expenditures:</b>					
Instruction	66,078,337			7,279,502	73,357,839
Support services	52,150,417	269,430	36,835	3,448,954	55,905,636
Noninstructional services	640	5,284,112		28,872	5,313,624
Sixteenth section	177,946			7,780	185,726
Facilities acquisition and construction	104,301		2,325,139	89,112	2,518,552
Debt service:					
Principal				10,895,000	10,895,000
Interest	5,273			2,191,390	2,196,663
Other				10,265	10,265
Total Expenditures	118,516,914	5,553,542	2,361,974	23,950,875	150,383,305
Excess (Deficiency) of Revenues over (under) Expenditures	2,842,368	322,159	(2,361,974)	(4,684,987)	(3,882,434)
<b>Other Financing Sources (Uses):</b>					
Insurance recovery	2,450				2,450
Payments held by escrow agent				234,078	234,078
Payment to QSCB debt escrow agent				(234,078)	(234,078)
Sale of transportation equipment	1,710				1,710
Sale of other property	1,580,106				1,580,106
Operating transfers in	308,012			3,679,578	3,987,590
Operating transfers out	(3,407,994)	(300,000)		(279,596)	(3,987,590)
Total Other Financing Sources (Uses)	(1,515,716)	(300,000)	-	3,399,982	1,584,266
Net Change in Fund Balances	1,326,652	22,159	(2,361,974)	(1,285,005)	(2,298,168)
<b>Fund Balances:</b>					
July 1, 2017, as previously reported	49,376,480	345,367	3,106,236	17,660,772	70,488,855
Prior period adjustments	20,249	32,906		(48)	53,107
July 1, 2017, as restated	49,396,729	378,273	3,106,236	17,660,724	70,541,962
Increase (Decrease) in inventory		(45,192)		-	(45,192)
June 30, 2018	\$ 50,723,381	\$ 355,240	\$ 744,262	\$ 16,375,719	\$ 68,198,602

**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, 2018**

**Exhibit D-1**

**Net change in fund balances - total governmental funds** \$ (2,298,168)

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	\$	13,338,223	
Depreciation expense		<u>(7,744,078)</u>	5,594,145

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. (53,124)

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:

Payments of debt principal		10,895,000	
Accrued interest payable		<u>74,424</u>	10,969,424

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

Pension expense		(28,387,447)	
Contributions subsequent to the measurement date		<u>11,083,362</u>	(17,304,085)

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

OPEB expense		(544,834)	
Contributions subsequent to the measurement date		<u>410,253</u>	(134,581)

6. 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		321,606	
Change in inventory		(45,192)	
Amortization of deferred charges, premiums and discounts		<u>26,862</u>	303,276

<b>Change in net position of governmental activities</b>		<u>\$ (2,923,113)</u>	
--	--	-----------------------	--



**MADISON COUNTY SCHOOL DISTRICT****Fiduciary Funds****Statement of Fiduciary Assets and Liabilities  
June 30, 2018****Exhibit E**

	Agency Funds
<b>Assets</b>	
Cash and cash equivalents	\$ 4,536,848
Cash with fiscal agents	45,000
Other receivables, net	661
Total Assets	<u>\$ 4,582,509</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 4,131,713
Due to other funds	73,313
Due to student clubs	377,483
Total Liabilities	<u>\$ 4,582,509</u>

**Madison County School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2018

## **MADISON COUNTY SCHOOL DISTRICT**

Notes to the Financial Statements  
For the Year Ended June 30, 2018

### **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 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

## **MADISON COUNTY SCHOOL DISTRICT**

Notes to the Financial Statements  
For the Year Ended June 30, 2018

program revenues are reported instead as general revenues.

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

The school district reports the following major governmental funds:

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

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

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

## MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2018

### FIDUCIARY FUNDS

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

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

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

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

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

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

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

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

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

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

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.

## MADISON COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements For the Year Ended June 30, 2018

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."

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

##### **3. Due from Other Governments**

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

## MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2018

### 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:

	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.

**MADISON COUNTY SCHOOL DISTRICT**

Notes to the Financial Statements  
For the Year Ended June 30, 2018

7. Deferred outflows/inflows of resources

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

Deferred outflows – Pension contributions

Deferred outflows – Deferred amounts on refunding of debt

Deferred outflows – OPEB

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. The school district has incurred deferred inflows which are presented as a deferred inflow related to pensions and a deferred inflow related to OPEB.

Deferred inflows – Pension Settlements to Plan Members

Deferred inflows – OPEB

See Note 16 for further details.

8. Compensated Absences

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

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

9. Long-term Liabilities and Bond Discounts/Premiums

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

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



## MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2018

### 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. Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State and School Employees' Life and Health Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. Fiduciary net position was zero as of the measurement date of June 30, 2017. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

### 12. 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 \$4,264,510 for technological improvements.

*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

## MADISON COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements For the Year Ended June 30, 2018

restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

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

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.

#### 13. New Pronouncements

In June 2017, the GASB issued GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. This statement is effective for fiscal years beginning after June 15, 2017.

## 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

## MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2018

obligations issued by the United States of America that are deemed to include securities of, or other interests in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Investment income of less than \$100 can be credited to the General Fund.

### Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$ 63,688,744 and \$4,536,848, 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, 2018, none of the district's bank balance of \$71,864,568 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 \$156,700.

### Investments

As of June 30, 2018, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
U.S. Treasury SLGS Deposit	N/A	More than 5 years	\$ 1,356,880
Municipal Bonds	AA	1 to 5	835,300
U.S Treasury/Agency Securities	AA+	1 to 5	72,970
Asset Backed Securities	Unrated	1 to 5	519,748
Corporate Bonds	AA+	1 to 5	251,937
Total			<u>\$ 3,036,835</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, 2018:

Level 1 type of investments of \$3,036,835 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

**MADISON COUNTY SCHOOL DISTRICT**

Notes to the Financial Statements  
For the Year Ended June 30, 2018

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

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

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

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

Receivable Fund	Payable Fund	Amount
General Fund	School Food Service Fund	\$ 300,000
	Other Governmental Funds	514,384
	Fiduciary Funds	73,313
Total		<u>\$ 887,697</u>

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

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

Receivable Fund	Payable Fund	Amount
Other Governmental Funds	General Fund	<u>\$ 29,307</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, 2018 is four percent.

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

Year Ending June 30	Principal	Interest	Total
2019	\$ 29,307	1,172	<u>30,479</u>

**MADISON COUNTY SCHOOL DISTRICT**

Notes to the Financial Statements  
For the Year Ended June 30, 2018

**C. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General Fund	Other Governmental Funds	\$ 3,407,994
School Food Service Fund	General Fund	300,000
Other Governmental Funds	General Fund	8,012
Other Governmental Funds	Other Governmental Funds	271,584
Total		<u>\$ 3,987,590</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 \$351,586, the cash with fiscal agent balance \$65,331 and investment balance \$1,679,955 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 \$899,251 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 \$1,728,057 and the cash with fiscal agent totaling \$46 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 \$237,205, \$15,061, and \$1,356,880, respectively, of the QSCB Bond Retirement Fund.

# MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2018

## Note 5 – Capital Assets

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

	Balance 7/1/2017	Increases	Decreases	Completed Construction	Balance 6/30/2018
<b>Governmental Activities:</b>					
<b><u>Non-depreciable capital assets:</u></b>					
Land	\$ 7,104,196	12,685			7,116,881
Construction-in-progress	3,653,557	2,505,867		(5,273,373)	886,051
Total non-depreciable capital assets	10,757,753	2,518,552	-	(5,273,373)	8,002,932
<b><u>Depreciable capital assets:</u></b>					
Buildings	276,532,978			3,220,634	279,753,612
Building improvements	10,984,573			1,873,609	12,858,182
Improvements other than buildings	16,044,980			179,130	16,224,110
Mobile equipment	2,566,312	10,721,698	15,926		13,272,084
Furniture and equipment	5,593,287	97,973	123,312		5,567,948
Total depreciable capital assets	311,722,130	10,819,671	139,238	5,273,373	327,675,936
<b><u>Less accumulated depreciation for:</u></b>					
Buildings	67,861,898	5,370,340			73,232,238
Building improvements	1,580,097	512,338			2,092,435
Improvements other than buildings	5,564,620	544,260			6,108,880
Mobile equipment	1,733,913	1,114,223	14,333		2,833,803
Furniture and equipment	4,720,586	202,917	71,781		4,851,722
Total accumulated depreciation	81,461,114	7,744,078	86,114	-	89,119,078
Total depreciable capital assets, net	230,261,016	3,075,593	53,124	5,273,373	238,556,858
Governmental activities capital assets, net	\$ 241,018,769	5,594,145	53,124	-	246,559,790

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 5,756,223
Support services	1,977,735
Non-instructional	10,120
Total depreciation expense	<u>\$ 7,744,078</u>

**MADISON COUNTY SCHOOL DISTRICT**

Notes to the Financial Statements

For the Year Ended June 30, 2018

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

	Spent to June 30, 2018	Remaining Commitment
<b>Governmental Activities:</b>		
Olde Towne Middle HVAC and Interior Improvements Phase II	\$ 755,882	\$ 639,268
ASE Site Improvement	130,169	465,918
Total governmental activities	\$ 886,051	1,105,186

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 7/1/2017	Reductions	Balance 6/30/2018	Amounts due within one year
A. General obligation bonds payable	\$ 65,352,000	\$ 9,315,000	\$ 56,037,000	\$ 8,747,000
B. Limited obligation bonds payable	1,580,000	1,580,000	-	
C. Qualified school construction bonds payable	2,883,000		2,883,000	
D. Compensated absences payable	1,385,308	321,606	1,063,702	53,185
Total	\$ 71,200,308	\$ 11,216,606	\$ 59,983,702	\$ 8,800,185

**A. General obligation bonds payable**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. General Obligation refunding bonds, Series 2012	2.0-5.0%	5/22/2012	4/15/2025	\$ 25,600,000	\$ 17,745,000
2. General Obligation bonds, Series 2010	2.0 - 2.75 %	10/15/2010	4/15/2023	29,000,000	15,250,000
3. General Obligation refunding bonds, Series 2009	3.0 -3.625%	12/1/2009	12/1/2024	29,000,000	21,500,000
4. General Obligation bonds, Series 2008	3.0 - 4.0%	12/17/2008	9/1/2018	8,005,000	520,000
5. General Obligation refunding bonds, Series 2016	0.8 - 1.0%	11/7/2016	5/1/2019	6,062,000	1,022,000
Total				\$ 97,667,000	\$ 56,037,000

**MADISON COUNTY SCHOOL DISTRICT**

Notes to the Financial Statements  
For the Year Ended June 30, 2018

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
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	2,660,000	330,400	2,990,400
2024	2,770,000	224,000	2,994,000
2025	2,830,000	113,200	2,943,200
Total	<u>\$ 17,745,000</u>	<u>\$ 3,006,500</u>	<u>\$ 20,751,500</u>

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

2. Series 2010 issued on October 15, 2010:

Year Ending June 30	Principal	Interest	Total
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>\$ 15,250,000</u>	<u>\$ 1,297,187</u>	<u>\$ 16,547,187</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
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	3,750,000	283,125	4,033,125
2024	4,000,000	145,000	4,145,000
2025	2,000,000	36,250	2,036,250
Total	<u>\$ 21,500,000</u>	<u>\$ 2,756,250</u>	<u>\$ 24,256,250</u>

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



**MADISON COUNTY SCHOOL DISTRICT**Notes to the Financial Statements  
For the Year Ended June 30, 2018

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

Year Ending June 30	Principal	Interest	Total
2019	\$ 520,000	\$ 10,400	\$ 530,400

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

## 5. Series 2016 issued on November 7, 2016:

Year Ending June 30	Principal	Interest	Total
2019	\$ 1,022,000	\$ 10,220	\$ 1,032,220

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
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	10,160,000	716,650	10,876,650
2024	6,770,000	369,000	7,139,000
2025	4,830,000	149,450	4,979,450
Total	\$ 56,037,000	\$ 7,080,557	\$ 63,117,557

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, 2018, the amount of outstanding bonded indebtedness was equal to 5% of property assessments as of October 1, 2017.

**B. Limited obligation bonds payable**

This debt was retired and paid off in 2018 from the 1998 MAEP Bond Debt Service Fund (4041).

**MADISON COUNTY SCHOOL DISTRICT**

Notes to the Financial Statements  
For the Year Ended June 30, 2018

**C. Qualified school construction bonds payable**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
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
2019	\$	\$ 11,532	\$ 11,532
2020		11,532	11,532
2021		11,532	11,532
2022		11,532	11,532
2023		11,532	11,532
2024		11,532	11,532
2025	2,883,000	11,532	2,894,532
Total	\$ 2,883,000	\$ 80,724	\$ 2,963,724

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

**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, 2018, amounted to \$216,591.

Future lease payments for these leases are as follows:

## MADISON COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements For the Year Ended June 30, 2018

Year Ending June 30		Amount
2019	\$	222,231
2020		123,716
2021		100,472
2022		9,593
Total	\$	<u>456,012</u>

#### Contracts:

The school district entered into a contract dated July 1, 2017, with Durham School Services to provide transportation services for the district. The term of this agreement began July 1, 2017 and ends at June 30, 2021. The agreement was not extended for a new term. The contract was based on an estimated school year comprised of 180 days and 124 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, 2018, totaled \$5,373,291 for route service. An additional amount of \$272,507 was paid to Durham School Services 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 (601) 359-3589 or 1-800-444-PERS.

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

**MADISON COUNTY SCHOOL DISTRICT**

Notes to the Financial Statements  
For the Year Ended June 30, 2018

fiscal year thereafter.

**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, 2018 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, 2018, 2017 and 2016 were \$11,083,362, \$10,837,891 and \$10,240,838, 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, 2018, the school district reported a liability of \$178,313,163 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2018 net pension liability was 1.0726640 percent, which was based on a measurement date of June 30, 2017. This was an increase of .056270 percent from its proportionate share used to calculate the June 30, 2017 net pension liability, which was based on a measurement date of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$28,387,447. At June 30, 2018 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 2,411,085	\$ 1,301,100
Net difference between projected and actual earnings on pension plan investments		2,692,978
Changes of assumptions	3,673,534	287,912
Changes in proportion and differences between District contributions and proportionate share of contributions	9,703,425	
District contributions subsequent to the measurement date	11,083,362	
Total	\$ <u>26,871,406</u>	\$ <u>4,281,990</u>

\$11,083,362 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**MADISON COUNTY SCHOOL DISTRICT**Notes to the Financial Statements  
For the Year Ended June 30, 2018

Year Ending June 30:

2019	\$	8,005,401
2020		5,884,159
2021		1,060,855
2022		(3,444,361)
Total	\$	<u>11,506,054</u>

*Actuarial assumptions.* The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.25-18.50 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 2022, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

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

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
U.S. Broad	27.00	%	4.60	%
International Equity	18.00		4.50	
Emerging Markets Equity	4.00		4.75	
Global	12.00		4.75	
Fixed Income	18.00		0.75	
Real Estate	10.00		3.50	
Private Equity	8.00		5.10	
Emerging Debt	2.00		2.25	
Cash	1.00		0.00	
Total	<u>100</u>	<u>%</u>		

*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.

## MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2018

*Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.* The following table presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75%, 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%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 233,869,617	\$ 178,313,163	\$ 132,189,233

*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 – Other Postemployment Benefits (OPEB)

#### General Information about the OPEB Plan.

*Plan description.* State law mandates that all state, public education, library, junior and community college and retiring employees be offered health and life benefit coverage through the State and School Employees' Life and Health Insurance Plan (the Plan). The Plan was established by Section 25-15-3 et seq., Mississippi Code Ann. (1972), which may be amended only by the State Legislature. The State and School Employees' Health Insurance Management Board (the Board) administers the Plan. The Board has the sole legal authority to promulgate rules and regulations governing the operations of the Plan within the confines of the law governing the Plan. The Plan is self-insured and is financed through premiums collected from employers, employees, retirees and COBRA participants. The Plan provides for Other Postemployment Benefits (OPEB) as a multiple-employer defined benefit OPEB plan. A trust was created June 28, 2018 for the OPEB Plan and, while no trust was in place for the June 30, 2017 plan year-end, for purposes of comparability for future periods, terminology used herein is based on the plan being a cost-sharing multiple-employer defined benefit OPEB plan. The plan does not issue a stand-alone financial report.

#### *Benefits provided.*

The Plan was formed by the State Legislature to provide group health and life benefits to full-time active and retired employees of the State, agencies, universities, community/junior colleges, public school districts and public libraries. In addition, the spouse and/or children of covered employees and retirees, as well as surviving spouses and COBRA participants, may be eligible for health insurance coverage under the Plan. Benefits of the OPEB Plan consist of an implicit rate subsidy, which is essentially the difference between the average cost of providing health care benefits to retirees under age 65 and the average cost of providing health care benefits to all participants when premiums paid by retirees are not age adjusted. Employees' premiums are funded primarily by their employers. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. The Board has the sole authority for setting life and health insurance premiums for the Plan. Per Section 12-15-15 (10) Mississippi Code Ann. (1972), a retired employee electing to purchase retiree life and health insurance must pay the full cost of such insurance premium. If the Board determined actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Plan to the State, then the Board may impose a premium surcharge, not to exceed 15%, upon such participating retired employees who are under the age for Medicare eligibility and who are initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who are initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determined actuarially to cover the full cost of insurance. The Plan offers a Base option and a Select option for health benefits for non-Medicare participants. The Plan includes a separate coverage level for Medicare eligible retirees, Medicare Eligible surviving spouses, and Medicare eligible dependents of retirees and surviving spouses.

**MADISON COUNTY SCHOOL DISTRICT**

Notes to the Financial Statements  
For the Year Ended June 30, 2018

*Contributions.*

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the District were \$410,253 for the year ended June 30, 2018.

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB**

At June 30, 2018, the District reported a liability of \$9,623,231 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the District's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2017, the District's proportion was 1.22650018 percent. This was an increase of 0.05513222 percent from the proportionate share as of the measurement date of June 30, 2016.

For the year ended June 30, 2018, the District recognized OPEB expense of \$544,834. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes of assumptions	\$	\$ 490,011
Net difference between projected and actual earnings on OPEB plan investments		
Changes in proportion and differences between District contributions and proportionate share of contributions	382,963	
District contributions subsequent to the measurement date	410,253	
Total	\$ <u>793,216</u>	\$ <u>490,011</u>

\$410,253 reported as deferred outflows of resources related to OPEB resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**MADISON COUNTY SCHOOL DISTRICT**Notes to the Financial Statements  
For the Year Ended June 30, 2018

Year Ending June 30:

2019	\$	(18,780)
2020		(18,780)
2021		(18,780)
2022		(18,780)
2023		(18,780)
Thereafter		(13,148)
Total	\$	<u>(107,048)</u>

*Actuarial assumptions.* The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00 percent
Salary increases	3.25-18.50 percent, including wage inflation
Long-term Investment Rate of Return, net of OPEB plan investment expense, including inflation	N/A
Municipal Bond Index Rate	
Measurement Date	3.56 percent
Prior Measurement Date	3.01 percent
Year FNP is projected to be depleted	
Measurement Date	2017
Prior Measurement Date	2016
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	3.56 percent
Prior Measurement Date	3.01 percent
Health Care Cost Trends	
Medicare Supplement Claims	7.75 percent for 2017 decreasing to an
Pre-Medicare	ultimate rate of 5.00 percent by 2023

Both pre-retirement and post-retirement mortality rates were based on the RP 2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2022, male rates set forward 1 year and adjusted by 106% for males at all ages, and females adjusted to 90% for ages less than 76, 95% for age 76, 105% for age 78 and 110% for ages 79 and greater. Post-disability mortality rates were based on the RP 2014 Disabled Retiree Mortality Table set forward 4 years for males and 3 years for females.

The demographic actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study dated April 18, 2017.



## MADISON COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements For the Year Ended June 30, 2018

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

The plan had no assets as of the measurement date of 2017.

*Discount rate.* The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.56 percent. Since the Prior Measurement Date, the Discount Rate has changed from 3.01% to 3.56%.

Since no trust was set up as of June 30, 2017, there was no projection of cash flows for the Plan and the Plan was projected to be depleted in 2017.

The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. The rate used, if necessary, for this purpose is the average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rates during the month of June published at the end of each week by the Bond Buyer.

*Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate.* The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current discount rate:

	1% Decrease (2.56%)	Discount Rate (3.56%)	1% Increase (4.56%)
Net OPEB liability	\$ 9,877,374	\$ 9,623,231	\$ 9,433,970

*Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates.* The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates Current	1% Increase
Net OPEB liability	\$ 8,887,699	\$ 9,623,231	\$ 10,462,917

*OPEB plan fiduciary net position.* The fiduciary net position for the OPEB plan was zero as of June 30, 2017, the measurement date. Therefore, no separately issued financials were prepared. Detailed information about the OPEB plan's fiduciary net position for June 30, 2018 and going forward will be available in separately issued financial reports available on the Mississippi Department of Finance and Administration's website.

#### Note 10 – Sixteenth Section Lands

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

**MADISON COUNTY SCHOOL DISTRICT**Notes to the Financial Statements  
For the Year Ended June 30, 2018

of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending June 30	Amount
2019	\$ 803,018
2020	765,883
2021	675,860
2022	661,708
2023	898,518
2024 - 2028	3,233,425
2029 - 2033	3,193,705
2034 - 2038	3,018,792
2039 - 2043	2,352,819
2044 - 2048	1,295,943
2049 - 2053	749,134
2054 - 2056	106,945
Total	<u>\$ 17,755,750</u>

**Note 11 – Prior Period Adjustments**

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

Exhibit B - Statement of Activities

Explanation	Amount
1. Implementation of GASB 75:	\$
Net OPEB liability (06-30-17)	(9,564,091)
Deferred outflows - contributions made during fiscal year 2017	378,646
Total prior period adjustment related to GASB 75	(9,185,445)
2. An increase or decrease in revenues or expenditures from a prior period.	53,107
Total	<u>\$ (9,132,338)</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.	\$ 20,249
School Food Service Fund	An increase or decrease in revenues or expenditures from a prior period.	32,906
Other Governmental Funds	An increase or decrease in revenues or expenditures from a prior period.	(48)
Total		<u>\$ 53,107</u>

**Note 12 – Contingencies**

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

## MADISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2018

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

### Note 13 – Risk Management

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

### Note 14 – Qualified School Construction Bonds

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

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB. For the year ended June 30, 2018, the subsidy payments amount to \$45,750.

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, 2018 was \$1,609,146. 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
2019	\$ 231,300
2020	231,300
2021	231,300
2022	231,300
2023	231,300
2024 - 2025	462,600
Total	<u>\$ 1,619,100</u>

## **MADISON COUNTY SCHOOL DISTRICT**

Notes to the Financial Statements  
For the Year Ended June 30, 2018

### **Note 15 - Insurance loss recoveries**

The Madison County School District received \$2,450 in insurance loss recoveries related to the replacement of a vehicle and stolen/lost equipment during the 2017-2018 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and allocated to the support services expense function.

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

The Net Investment in capital assets net position amount of \$187,094,830 includes the effect of deferring the recognition of expenditures resulting from a deferred outflow from advance refunding of school district debt. The \$1,188,393 balance of the deferred outflow of sources at June 30, 2018, will be recognized as an expense and decrease the net investment in capital assets net position over the next 7 years.

The unrestricted net position amount of (\$113,272,567) includes the effect of deferring the recognition of expenses resulting from a deferred outflow of pensions. A portion of the deferred outflows of resources related to pension in the amount of \$11,083,362 resulting from the school district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. The \$15,788,044 balance of deferred outflow of resources at June 30, 2018, will be recognized as an expense and will decrease the unrestricted net position over the next three years.

The unrestricted net position amount of (\$113,272,567) includes the effect of deferring the recognition of revenues resulting from a deferred inflow from pensions. The \$4,281,990 balance of the deferred inflow of resources at June 30, 2018 will be recognized as revenue and increase unrestricted net position over the next four years.

The unrestricted net position amount of (\$113,272,567) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from OPEB. A portion of the deferred outflows of resources related to OPEB in the amount of \$410,253 resulting from the amount paid by the school district as benefits come due subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. The \$382,963 balance of deferred outflow of resources, at June 30, 2018 will be recognized as an expense and will decrease the unrestricted net position over the next 6 years.

The unrestricted net position amount of (\$113,272,567) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$490,011 balance of deferred inflow of resources at June 30, 2018 will be recognized as a revenue and will increase the unrestricted net position over the next 6 years.

### **Note 17 – Subsequent Events**

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

## REQUIRED SUPPLEMENTARY INFORMATION

**MADISON COUNTY SCHOOL DISTRICT**

**Required Supplementary Information**

**Budgetary Comparison Schedule**

**General Fund**

**For the Year Ended June 30, 2018**

for the Year Ended June 30, 2018

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 62,315,460	\$ 62,007,934	\$ 62,008,334	\$ (307,526)	\$ 400
State sources	56,713,713	58,282,934	58,282,934	1,569,221	-
Federal sources		62,990	62,990	62,990	-
Sixteenth section sources	874,383	1,005,024	1,005,024	130,641	-
Total Revenues	119,903,556	121,358,882	121,359,282	1,455,326	400
<b>Expenditures:</b>					
Instruction	69,297,009	66,077,937	66,078,337	3,219,072	(400)
Support services	55,473,311	52,253,435	52,150,417	3,219,876	103,018
Noninstructional services	-	640	640	(640)	-
Sixteenth section	179,916	177,946	177,946	1,970	-
Facilities acquisition and construction		1,283	104,301	(1,283)	(103,018)
Debt service:					
Interest		5,273	5,273	(5,273)	-
Total Expenditures	124,950,236	118,516,514	118,516,914	6,433,722	(400)
Excess (Deficiency) of Revenues over (under) Expenditures	(5,046,680)	2,842,368	2,842,368	7,889,048	-
<b>Other Financing Sources (Uses):</b>					
Insurance recovery		2,450	2,450	2,450	-
Sale of transportation equipment		1,710	1,710	1,710	-
Sale of other property	1,000,000	1,580,106	1,580,106	580,106	-
Operating transfers in	11,639,780	12,373,937	308,012	734,157	(12,065,925)
Operating transfers out	(18,334,924)	(15,473,919)	(3,407,994)	2,861,005	12,065,925
Total Other Financing Sources (Uses)	(5,695,144)	(1,515,716)	(1,515,716)	4,179,428	-
Net Change in Fund Balances	(10,741,824)	1,326,652	1,326,652	12,068,476	-
<b>Fund Balances:</b>					
July 1, 2017, as previously reported	49,376,480	49,376,480	49,376,480	-	-
Prior period adjustments		20,249	20,249	20,249	-
July 1, 2017, as restated	49,376,480	49,396,729	49,396,729	20,249	-
June 30, 2018	\$ 38,634,656	\$ 50,723,381	\$ 50,723,381	\$ 12,088,725	\$ -

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

**MADISON COUNTY SCHOOL DISTRICT**

**Required Supplementary Information**

**Budgetary Comparison Schedule**

**School Food Service Fund**

**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variances	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 2,649,400	\$ 2,658,467	\$ 2,412,265	\$ 9,067	\$ (246,202)
State sources	54,315	54,315	48,804	-	(5,511)
Federal sources	3,499,908	3,499,908	3,414,632	-	(85,276)
Total Revenues	6,203,623	6,212,690	5,875,701	9,067	(336,989)
<b>Expenditures:</b>					
Support services	319,011	643,241	269,430	(324,230)	373,811
Noninstructional services	5,784,007	5,459,777	5,284,112	324,230	175,665
Total Expenditures	6,103,018	6,103,018	5,553,542	-	549,476
Excess (Deficiency) of Revenues over (under) Expenditures	100,605	109,672	322,159	9,067	212,487
<b>Other Financing Sources (Uses):</b>					
Operating transfers out			(300,000)	-	(300,000)
Total Other Financing Sources (Uses)	-	-	(300,000)	-	(300,000)
Net Change in Fund Balances	100,605	109,672	22,159	9,067	(87,513)
<b>Fund Balances:</b>					
July 1, 2017, as previously reported	345,367	345,367	345,367	-	-
Prior period adjustments			32,906	-	32,906
July 1, 2017, as restated	345,367	345,367	378,273	-	32,906
Increase (Decrease) in inventory			(45,192)	-	(45,192)
June 30, 2018	\$ 445,972	\$ 455,039	\$ 355,240	\$ 9,067	\$ (99,799)

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\*

	2018	2017	2016	2015
District's proportionate share of the net pension liability	\$ 178,313,163	181,553,348	153,108,985	114,645,371
District's proportion of the net pension liability	1.072664%	1.016394%	0.990482%	0.944503%
District's covered payroll	68,812,006	65,021,194	61,879,663	57,740,330
District's proportionate share of the net pension liability as a percentage of its covered payroll	259.13%	279.22%	247.43%	198.55%
Plan fiduciary net position as a percentage of the total pension liability	61.49%	57.47%	61.70%	67.21%

\* 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.

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



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

	2018	2017	2016	2015
Contractually required contribution	\$ 11,083,362	10,837,891	10,240,838	9,746,047
Contributions in relation to the contractually required contribution	11,083,362	10,837,891	10,240,838	9,746,047
Contribution deficiency (excess)	\$ -	-	-	-
District's covered payroll	70,370,552	68,812,006	65,021,194	61,879,663
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%	15.75%

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.

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 OPEB Liability

## OPEB

## Last 10 Fiscal Years\*

		2018
District's proportionate share of the net OPEB liability	\$	<u>9,623,231</u>
District's proportion of the net OPEB liability		1.22650018%
District's covered - employee payroll		55,103,280 **
District's proportionate share of the net OPEB liability as a percentage of its covered - employee payroll		17.46%
Plan fiduciary net position as a percentage of the total OPEB liability		0.00%

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.

\*\* The amount used to calculate this figure was based on the Plan's covered payroll as of the measurement date.

This schedule is presented to illustrate the requirement to show information for 10 years. However, 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  
OPEB  
Last 10 Fiscal Years

Contractually required contribution	\$ <u>2018</u> 410,253 **
Contributions in relation to the contractually required contribution	410,253 **
Contribution deficiency (excess)	\$ <u><u>-</u></u>
District's covered - employee payroll	71,960,969
Contributions as a percentage of covered - employee payroll	0.57%

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 75 was implemented in FYE 6/30/18, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

\*\* The amounts reflected above only pertains to the Implicit Rate Subsidy as it relates to contributions.

## Madison County School District

### Notes to the Required Supplementary Information For the Year Ended June 30, 2018

#### Budgetary Comparison Schedules

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

#### Pension Schedules

(1) *Changes of assumptions*

2015:

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.

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.

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75% respectively.

2016:

The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

2017:

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.

The wage inflation assumption was reduced from 3.75% to 3.25%.

## Madison County School District

### Notes to the Required Supplementary Information (Continued) For the Year Ended June 30, 2018

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

#### (2) *Changes in benefit provisions*

##### 2016:

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.

#### (3) *Method and assumptions used in calculations of actuarially determined contributions.*

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2015 valuation for the June 30, 2017 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	33.9 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.75 percent to 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

### OPEB Schedules

#### (1) *Changes of assumptions*

##### 2017:

The discount rate was changed from 3.01% for the prior Measurement Date to 3.56% for the current Measurement Date.

#### (2) *Changes in benefit provisions*

##### 2017:

None

## Madison County School District

### Notes to the Required Supplementary Information (Continued) For the Year Ended June 30, 2018

- (3) *Methods and assumptions used in calculation of Actuarially Determined Contributions.* The Actuarially Determined Contributions rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions (from the June 30, 2016 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2017:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price Inflation	3 percent
Salary increases, including wage inflation	3.25 percent to 18.50 percent
Initial health care cost trend rates Medicare Supplement Claims Pre-Medicare	7.75 percent
Ultimate health care cost trend rates Medicare Supplement Claims Pre-Medicare	5.00 percent
Year of ultimate trend rates Medicare Supplement Claims Pre-Medicare	2022
Long-term investment rate of return, net of pension plan investment expense, including price inflation	3.56 percent

- (4) Under GASB 75, employers are also required to consider any implicit subsidy that may be occurring. Medical costs generally increase with advancing age. Therefore, the medical costs for the retiree group are higher than the medical costs for the employee group, even taking Medicare into account. Stated another way, when a plan includes both employees and retirees, the blended premiums are almost always higher than what the premiums would be for employees, and lower than what the premiums would be for retirees, if each group were rated separately. The premium rate difference is referred to as the implicit rate subsidy.

## SUPPLEMENTARY INFORMATION

**MADISON COUNTY SCHOOL DISTRICT**

## Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2018

Federal Grantor/ Pass-through Grantor/ Program Title/	Pass-through Entity Identifying Number	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	185MS326N1099	10.553	\$ 569,424
National School Lunch Program	185MS326N1099	10.555	2,845,208
Total Child Nutrition Cluster			3,414,632
Total passed-through the Mississippi Department of Education			3,414,632
<b>Total U.S. Department of Agriculture</b>			<b>3,414,632</b>
<b><u>U. S. Department of Defense</u></b>			
Direct Program:			
Reserve Officers' Training Corps		12.xxx	195,741
Total Direct Program			195,741
<b>Total U.S. Department of Defense</b>			<b>195,741</b>
<b><u>U. S. Department of Education</u></b>			
Passed-through the Mississippi Department of Education:			
Title I Grants to Local Educational Agencies	ES010A170024	84.010	1,377,270
Career and Technical Education - Basic Grant to States	V048A170024	84.048	94,241
Rehabilitation Services Vocational Rehabilitation Grants to States	H126A180034	84.126	1,974
English Language Acquisition State Grants	ES365A170024	84.365	67,364
Supporting Effective Instruction State Grants	ES367A170023	84.367	370,123
Student Support and Academic Enrichment Program	ES424A170025	84.424	9,291
Subtotal			1,920,263
Special Education Cluster:			
Special Education - Grants to States	H027A170108	84.027	2,519,765
Positive Behavior Specialists	H027A170108	84.027A	61,016
Special Education - Preschool Grants	H173A170113	84.173	82,885
Total Special Education Cluster			2,663,666
Total passed-through the Mississippi Department of Education			4,583,929
<b>Total U.S. Department of Education</b>			<b>4,583,929</b>
Total for All Federal Awards			\$ <b>8,194,302</b>

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, 2018

### 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, 2018. 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

Donated commodities of \$398,932 are included in the National School Lunch Program.

**MADISON COUNTY SCHOOL DISTRICT**

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
 For the Year Ended June 30, 2018

<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 \$	94,829,663	77,883,436	2,975,016	8,383,937	5,587,274
Other	55,553,642	7,461,211	686,705	297,985	47,107,741
Total	\$ 150,383,305	85,344,647	3,661,721	8,681,922	52,695,015
Total number of students *	13,282				
Cost per student	\$ 11,322	6,426	276	654	3,966

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

## OTHER INFORMATION

**MADISON COUNTY SCHOOL DISTRICT**

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

"UNAUDITED"

## General Fund

## Last Four Years

	2018	2017*	2016*	2015*
<b>Revenues:</b>				
Local sources	\$ 62,008,334	59,651,009	56,998,919	52,474,451
State sources	58,282,934	56,596,209	54,894,968	51,616,773
Federal sources	62,990	315,733	273,596	377,751
Sixteenth section sources	1,005,024	1,419,690	1,313,292	1,343,436
Total Revenues	<u>121,359,282</u>	<u>117,982,641</u>	<u>113,480,775</u>	<u>105,812,411</u>
<b>Expenditures:</b>				
Instruction	66,078,337	65,236,440	62,395,145	60,025,958
Support services	52,150,417	45,169,582	40,003,027	41,393,796
Noninstructional services	640	98		
Sixteenth section	177,946	149,450	166,576	174,962
Facilities acquisition and construction	104,301	50,077	292,261	5,167,050
Debt Service:				
Interest	5,273	6,895	8,454	9,952
Total Expenditures	<u>118,516,914</u>	<u>110,612,542</u>	<u>102,865,463</u>	<u>106,771,718</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>2,842,368</u>	<u>7,370,099</u>	<u>10,615,312</u>	<u>(959,307)</u>
<b>Other Financing Sources (Uses):</b>				
Notes issued			3,500,000	
Insurance recovery	2,450	15,108	18,318	2,822
Sale of transportation equipment	1,710	15,029	17,888	
Sale of other property	1,580,106	3,905		1,300,000
Operating transfers in	308,012	160,386	273,353	38,106
Other financing sources			3,216	1,805
Operating transfers out	(3,407,994)	(5,523,530)	(10,778,835)	(2,788,642)
Other financing uses			(398)	
Total Other Financing Sources (Uses)	<u>(1,515,716)</u>	<u>(5,329,102)</u>	<u>(6,966,458)</u>	<u>(1,445,909)</u>
Net Change in Fund Balances	<u>1,326,652</u>	<u>2,040,997</u>	<u>3,648,854</u>	<u>(2,405,216)</u>
<b>Fund Balances:</b>				
July 1, Beginning, as previously reported	49,376,480	47,307,678	43,658,824	31,496,780
Prior period adjustment	20,249	27,805		60,100
Fund reclassification				14,507,160
July 1, Beginning, as restated	<u>49,396,729</u>	<u>47,335,483</u>	<u>43,658,824</u>	<u>46,064,040</u>
June 30,	<u>\$ 50,723,381</u>	<u>49,376,480</u>	<u>47,307,678</u>	<u>43,658,824</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"

	2018	2017*	2016*	2015*
<b>Revenues:</b>				
Local sources	\$ 75,561,246	73,017,720	69,940,307	67,317,441
State sources	61,686,343	59,260,082	58,015,312	54,732,849
Federal sources	8,226,669	8,841,473	8,709,512	7,847,151
Sixteenth section sources	1,026,613	1,505,607	1,430,916	1,484,641
Total Revenues	<u>146,500,871</u>	<u>142,624,882</u>	<u>138,096,047</u>	<u>131,382,082</u>
<b>Expenditures:</b>				
Instruction	73,357,839	72,471,955	69,430,520	66,401,084
Support services	55,905,636	49,487,547	44,096,345	44,954,803
Noninstructional services	5,313,624	5,380,204	5,446,221	5,020,582
Sixteenth section	185,726	168,724	195,757	238,266
Facilities acquisition and construction	2,518,552	4,870,497	9,766,513	20,726,578
Debt service:				
Principal	10,895,000	11,670,000	12,390,000	8,195,000
Interest	2,196,663	2,646,158	3,079,045	3,346,811
Other	10,265	29,552	17,047	13,506
Total Expenditures	<u>150,383,305</u>	<u>146,724,637</u>	<u>144,421,448</u>	<u>148,896,630</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(3,882,434)</u>	<u>(4,099,755)</u>	<u>(6,325,401)</u>	<u>(17,514,548)</u>
<b>Other Financing Sources (Uses):</b>				
Notes issued			3,500,000	
Refunding bonds issued		6,062,000		
Insurance recovery	2,450	15,108	18,318	2,822
Payments held by escrow agent	234,078	223,493	223,146	231,863
Payment to refunded bond escrow agent		(6,095,367)		
Payment to QSCB debt escrow agent	(234,078)	(223,493)	(223,146)	(231,863)
Sale of transportation equipment	1,710	15,029	17,888	
Sale of other property	1,580,106	3,905	1,050,000	1,300,000
Operating transfers in	3,987,590	5,984,628	11,052,188	3,288,419
Other financing sources			3,216	1,823
Operating transfers out	(3,987,590)	(5,984,628)	(11,052,188)	(3,288,419)
Other financing uses			(398)	
Total Other Financing Sources (Uses)	<u>1,584,266</u>	<u>675</u>	<u>4,589,024</u>	<u>1,304,645</u>
Net Change in Fund Balances	<u>(2,298,168)</u>	<u>(4,099,080)</u>	<u>(1,736,377)</u>	<u>(16,209,903)</u>
<b>Fund Balances:</b>				
July 1, as previously reported	70,488,855	74,511,096	76,168,281	92,288,378
Prior period adjustments	53,107	105,956		63,107
July 1, as restated	<u>70,541,962</u>	<u>74,617,052</u>	<u>76,168,281</u>	<u>92,351,485</u>
Increase (Decrease) in inventory	(45,192)	(29,117)	79,192	26,699
June 30,	<u>\$ 68,198,602</u>	<u>70,488,855</u>	<u>74,511,096</u>	<u>76,168,281</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, 2018, 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 March 12, 2019.

**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  
March 12, 2019

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, 2018. The Madison County School District's major federal program is identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with 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, 2018.

## 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 a 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  
March 12, 2019

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, 2018, which collectively comprise Madison County School District's basic financial statements and have issued our report thereon dated March 12, 2019. 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 did not disclose any instances of noncompliance with other state laws and regulations.

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

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

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
March 12, 2019

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, 2018

#### 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 program:
  - a. Material weakness(es) identified? No.
  - b. Significant deficiency(ies) identified? None reported.
5. Type of auditor's report issued on compliance for major program: 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 program:

##### CFDA Numbers:

##### Name of Federal Program or Cluster

10.553 & 10.555

Child Nutrition Cluster

8. Dollar threshold used to distinguish between type A and type B programs: \$750,000.
9. Auditee qualified as low-risk auditee? Yes.
10. Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2 CFR 20.511(b). No.

## 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.