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MADISON COUNTY SCHOOL DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2022



MADISON COUNTY SCHOOL DISTRICT  
TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	7
MANAGEMENT'S DISCUSSION AND ANALYSIS	13
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Exhibit A - Statement of Net Position	23
Exhibit B - Statement of Activities	25
Governmental Funds Financial Statements	
Exhibit C - Balance Sheet	27
Exhibit C-1 - Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	29
Exhibit D - Statement of Revenues, Expenditures, and Changes in Fund Balances	31
Exhibit D-1 - Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	33
Notes to the Financial Statements	35
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund	65
Schedule of the District's Proportionate Share of the Net Pension Liability	67
Schedule of District Contributions (PERS)	69
Schedule of the District's Proportionate Share of the Net OPEB Liability	71
Schedule of District Contributions (OPEB)	73
Notes to the Required Supplementary Information	75
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	81
Notes to the Schedule of Expenditures of Federal Awards	83
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds	85
OTHER INFORMATION	
Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years	89
Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years	91
REPORTS ON INTERNAL CONTROL AND COMPLIANCE	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	95
Independent Auditor's Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	97
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	103
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	107

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## INDEPENDENT AUDITOR'S REPORT

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# SUZANNE E. SMITH, CPA, PLLC

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## AUDITING AND ACCOUNTING SERVICES

sesmithcpa@msn.com

### INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board  
Madison County School District

#### **Report on the Audit of the Financial Statements**

##### ***Opinions***

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, 2022, 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.

In our opinion, the accompanying 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, 2022, 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.

##### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Madison County School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

##### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Madison County School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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### ***Auditor's Responsibility for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Madison County School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Madison County School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***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), be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

### ***Supplementary 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 and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 basic 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 Schedule of Expenditures of Federal Awards and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

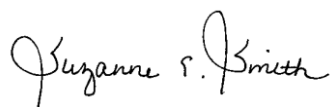
### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises 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 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2023, 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.



Suzanne E. Smith, CPA, PLLC  
Starkville, Mississippi

March 15, 2023

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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MADISON COUNTY SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2022

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, 2022. 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 2022 increased \$12,606,778 including a prior period adjustment of (\$22,105), which represents a 14% increase from fiscal year 2021. Total net position for 2021 increased \$2,368,958, including a prior period adjustment of \$19,941, which represents a 3% increase from fiscal year 2020.
- General revenues amounted to \$143,469,256 and \$143,769,506, or 84% and 86% of all revenues for fiscal years 2022 and 2021, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$26,590,293, or 16% of total revenues for 2022, and \$22,625,282, or 14% of total revenues for 2021.
- The District had \$157,430,666 and \$164,045,771 in expenses for fiscal years 2022 and 2021; only \$26,590,293 for 2022 and \$22,625,282 for 2021 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$143,469,256 for 2022 and \$143,769,506 for 2021 were adequate to provide for these programs.
- Among major funds, the General Fund had \$138,860,231 in revenues and \$125,810,324 in expenditures for 2022, and \$134,049,916 in revenues and \$118,277,401 in expenditures in 2021. The General Fund's fund balance decreased by \$16,501,593, including a prior period adjustment of (\$2,034), from 2021 to 2022, and increased by \$12,099,339 from 2020 to 2021.
- Capital assets, net of accumulated depreciation, decreased by \$2,446,369, including a prior period adjustment of (\$19,963) and the effects of the implementation of GASB Statement No. 87, for 2022 and increased by \$625,840, including a prior period adjustment of \$15,941, for 2021. The decrease for 2022 was due primarily to the increase in accumulated depreciation.
- Long-term debt, including the liability for compensated absences and excluding bond premiums, decreased by \$9,715,439 for 2022 and decreased by \$7,536,080 for 2021. This decrease for 2022 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$68,539 for 2022 and decreased by \$5,560 for 2021.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

### Government-wide Financial Statements

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

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

MADISON COUNTY SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2022

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

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

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, non-instructional, sixteenth section, pension expense, 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 are included in one category: governmental funds.

**Governmental funds** – All 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.

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

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

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

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



MADISON COUNTY SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2022

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 as required by the Governmental Accounting Standards Board.

### **Supplementary Information**

Additionally, a Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

### **Other Information**

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

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

### **Net position**

Net position may serve over time as a useful indicator of the District's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$100,636,257 as of June 30, 2022.

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, 2022 and June 30, 2021.

MADISON COUNTY SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2022

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

	<b>June 30, 2022</b>	<b>June 30, 2021</b>	<b>Percentage Change</b>
Current assets	\$ 89,052,365	\$ 84,957,115	4.82%
Leases receivable	12,264,478	-	N/A
Restricted assets	4,965,283	4,762,796	4.25%
Capital assets, net	238,661,637	241,108,006	-1.01%
<b>Total assets</b>	<b>344,943,763</b>	<b>330,827,917</b>	<b>4.27%</b>
 <b>Deferred outflows of resources</b>	 <b>41,040,375</b>	 <b>39,262,758</b>	 <b>4.53%</b>
Current liabilities	6,061,640	6,672,111	-9.15%
Long-term debt outstanding	24,694,264	34,886,839	-29.22%
Net pension liability	176,697,464	227,921,279	-22.47%
Net OPEB liability	8,841,508	10,343,763	-14.52%
<b>Total liabilities</b>	<b>216,294,876</b>	<b>279,823,992</b>	<b>-22.70%</b>
 <b>Deferred inflows of resources</b>	 <b>69,053,005</b>	 <b>2,237,204</b>	 <b>2986.58%</b>
 <b>Net position:</b>			
Net investment in capital assets	216,683,484	209,710,787	3.32%
Restricted	15,622,424	14,953,565	4.47%
Unrestricted	(131,669,651)	(136,634,873)	3.63%
<b>Total net position</b>	<b>\$ 100,636,257</b>	<b>\$ 88,029,479</b>	<b>14.32%</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)	( \$131,669,651)
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	201,518,451
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 69,848,800</u>

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

- The principal retirement of \$10,399,038 of long-term debt.
- The decrease in net pension liability of \$51,223,815.
- The decrease in net OPEB liability of \$1,502,255.
- The decrease in capital assets, net of \$2,446,369.

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2022 and June 30, 2021 were \$170,059,549 and \$166,394,788, respectively. The total cost of all programs and services was \$157,430,666 for 2022 and \$164,045,771 for 2021.

MADISON COUNTY SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2022

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2022 and June 30, 2021.

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

	<u>Year Ended</u> <u>June 30, 2022</u>	<u>Year Ended June</u> <u>30, 2021</u>	<u>Percentage</u> <u>Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 3,357,556	\$ 2,157,082	55.65%
Operating grants and contributions	22,762,172	20,468,200	11.21%
Capital Grants and Contributions	470,565	-	N/A %
General revenues:			
Property taxes	76,836,227	76,871,182	-0.05%
Grants and contributions not restricted	64,567,548	62,227,468	3.76%
Investment earnings	223,251	159,829	39.68%
Sixteenth section sources	854,055	1,050,408	-18.69%
Other	988,175	3,460,619	-71.45%
<b>Total revenues</b>	<u>170,059,549</u>	<u>166,394,788</u>	<b>2.20%</b>
<b>Expenses:</b>			
Instruction	84,919,880	84,306,580	0.73%
Support services	49,742,770	46,159,347	7.76%
Non-instructional	7,443,839	4,665,995	59.53%
Sixteenth section	218,639	237,007	-7.75%
Pension expense	14,547,818	27,154,581	-46.43%
OPEB expense	(243,597)	410,780	-159.30%
Interest on long-term liabilities	801,317	1,111,481	-27.91%
<b>Total expenses</b>	<u>157,430,666</u>	<u>164,045,771</u>	<b>-4.03%</b>
<b>Increase (Decrease) in net position</b>	<u>12,628,883</u>	<u>2,349,017</u>	<b>437.62%</b>
<b>Net Position, July 1, as previously reported</b>	88,029,479	85,660,521	<b>2.77%</b>
<b>Prior Period Adjustment</b>	<u>(22,105)</u>	<u>19,941</u>	<b>-210.85%</b>
<b>Net Position, July 1, as restated</b>	<u>88,007,374</u>	<u>85,680,462</u>	<b>2.72%</b>
<b>Net Position, June 30</b>	<u><u>100,636,257</u></u>	<u><u>88,029,479</u></u>	<b>14.32%</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, 2022

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

	<b>Total Expenses</b>		<b>Percentage</b>
	<b>2022</b>	<b>2021</b>	<b>Change</b>
Instruction	\$ 84,919,880	\$ 84,306,580	0.73%
Support services	49,742,770	46,159,347	7.76%
Non-instructional	7,443,839	4,665,995	59.53%
Sixteenth section	218,639	237,007	-7.75%
Pension Expense	14,547,818	27,154,581	-46.43%
OPEB Expense	(243,597)	410,780	-159.30%
Interest on long-term liabilities	801,317	1,111,481	-27.91%
<b>Total expenses</b>	<b>\$ 157,430,666</b>	<b>\$ 164,045,771</b>	<b>-4.03%</b>

	<b>Net (Expense) Revenue</b>		<b>Percentage</b>
	<b>2022</b>	<b>2021</b>	<b>Change</b>
Instruction	\$ (72,164,956)	\$ (72,606,613)	0.61%
Support services	(44,373,930)	(40,362,547)	-9.94%
Non-instructional	996,628	445,463	123.73%
Sixteenth section	(192,577)	(219,950)	12.45%
Pension Expense	(14,547,818)	(27,154,581)	46.43%
OPEB Expense	243,597	(410,780)	159.30%
Interest on long-term liabilities	(801,317)	(1,111,481)	27.91%
<b>Total net (expense) revenue</b>	<b>\$ (130,840,373)</b>	<b>\$ (141,420,489)</b>	<b>7.48%</b>

Net cost of governmental activities [(\$130,840,373) for 2022 and (\$141,420,489) for 2021] was financed by general revenue, which is primarily made up of property taxes (\$76,836,227 for 2022 and \$76,871,182 for 2021) and state and federal revenues (\$64,567,548 for 2022 and \$62,227,468 for 2021). In addition, there was \$854,055 and \$1,050,408 in Sixteenth Section sources for 2022 and 2021, respectively.

Investment earnings amounted to \$223,251 for 2022 and \$159,829 for 2021.

## 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 \$87,797,696, an increase of \$4,485,165, which includes a prior period adjustment of (\$2,034) and an increase in inventory of \$50,767. \$22,358,327 or 25% 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 \$65,439,369 or 75% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$16,501,593, including a prior period adjustment of (\$2,034). The fund balance of Other Governmental Funds showed an increase in the amount of \$428,695, which includes

MADISON COUNTY SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2022

an increase in reserve for inventory of \$50,767, due primarily to an increase in the fund balance of the Child Nutrition Fund. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase(Decrease)</u>
District Construction Fund	\$20,558,063

## 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 is provided in this report as required supplementary information.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2022, the District's total capital assets were \$359,618,056, including land, school buildings, building improvements, improvements other than buildings, buses, other school vehicles, furniture and equipment, and intangible assets. This amount represents an increase of \$5,757,005, including a prior period adjustment of \$47,590 and the effects of the implementation of GASB Statement No. 87, from 2021. Total accumulated depreciation as of June 30, 2022, was \$120,956,419, and total depreciation expense for the year was \$8,682,103, resulting in total net capital assets of \$238,661,637.

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

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Percentage</u> <u>Change</u>
Land	\$ 7,121,976	\$ 7,121,976	0.00%
Construction in Progress	7,266,328	5,985,128	21.41%
Buildings	185,974,652	191,365,090	-2.82%
Building Improvements	16,560,813	17,161,163	-3.50%
Improvements other than buildings	13,139,744	10,713,701	22.64%
Mobile equipment	7,056,404	8,009,670	-11.90%
Furniture and equipment	1,030,589	751,278	37.18%
Intangible assets	511,131	-	N/A
<b>Total</b>	<b>\$ 238,661,637</b>	<b>\$ 241,108,006</b>	-1.01%

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

**Debt Administration.** At June 30, 2022, the District had \$23,492,370 in outstanding long-term debt, including compensated absences and excluding bond premiums, of which \$10,706,854 is due within one year. The liability for compensated absences decreased \$68,539 from the prior year.

MADISON COUNTY SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2022

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

	<b>June 30, 2022</b>	<b>June 30, 2021</b>	<b><u>Percentage</u></b> <b><u>Change</u></b>
General obligation bonds payable	\$ 17,895,000	\$ 27,610,000	-35.19%
Shortfall notes payable	1,022,069	1,524,480	-32.96%
Qualified school construction bonds payable	2,883,000	2,883,000	0.00%
Lease obligations payable	570,511	-	N/A
Compensated absences payable	1,121,790	1,190,329	-5.76%
<b>Total</b>	<b><u>\$ 23,492,370</u></b>	<b><u>\$ 33,207,809</u></b>	<b>-29.26%</b>

Additional information on the District's long-term debt can be found in Note 7 included in this report.

## **CURRENT ISSUES**

The Madison County School District is financially stable. The District is proud of its community support of the public schools. The District has committed itself to financial excellence for many years. The District plans to continue its sound financial management to meet the challenges of the future.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

## FINANCIAL STATEMENTS

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**MADISON COUNTY SCHOOL DISTRICT**

**Statement of Net Position**  
**June 30, 2022**

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 83,490,819
Cash with fiscal agents	131,120
Due from other governments	5,299,901
Leases receivable	12,264,478
Inventories	129,034
Prepaid items	1,491
Restricted assets	4,965,283
Capital assets, net of accumulated depreciation	238,661,637
<b>Total Assets</b>	<b>344,943,763</b>
<b>Deferred Outflows of Resources</b>	
Deferred outflows - pensions	37,878,080
Deferred outflows - OPEB	2,590,043
Deferred outflows - advance refunding of debt	572,252
<b>Total deferred outflows of resources</b>	<b>41,040,375</b>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	5,879,027
Interest payable on long-term liabilities	182,613
Long-term liabilities, due within one year:	
Leases payable	197,626
Capital related liabilities	9,945,000
Non-capital related liabilities	564,228
Net OPEB liability	350,478
Long-term liabilities, due beyond one year:	
Leases payable	372,885
Capital related liabilities	10,833,000
Non-capital related liabilities	1,579,631
Bond premium	1,201,894
Net pension liability	176,697,464
Net OPEB liability	8,491,030
<b>Total Liabilities</b>	<b>216,294,876</b>
<b>Deferred Inflows of Resources</b>	
Deferred inflows - pensions	53,383,948
Deferred inflows - OPEB	3,063,654
Deferred inflows - leases	12,605,403
<b>Total deferred inflows of resources</b>	<b>69,053,005</b>
<b>Net Position</b>	
Net investment in capital assets	216,683,484
Restricted for:	
Expendable:	
School-based activities	4,126,856
Debt service	8,714,055
Forestry escrow	296,751
Unemployment benefits	243,720
Non-expendable:	
Sixteenth section	2,241,042
Unrestricted	(131,669,651)
<b>Total Net Position</b>	<b>\$ 100,636,257</b>

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

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**MADISON COUNTY SCHOOL DISTRICT**

**Statement of Activities**

**Exhibit B**

**For the Year Ended June 30, 2022**

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>					
Instruction	\$ 84,919,880	2,654,173	10,100,751		(72,164,956)
Support services	49,742,770	31,961	5,095,359	241,520	(44,373,930)
Non-instructional	7,443,839	645,360	7,566,062	229,045	996,628
Sixteenth section	218,639	26,062			(192,577)
Pension expense	14,547,818				(14,547,818)
OPEB expense	(243,597)				243,597
Interest on long-term liabilities	801,317				(801,317)
<b>Total Governmental Activities</b>	<b>\$ 157,430,666</b>	<b>3,357,556</b>	<b>22,762,172</b>	<b>470,565</b>	<b>(130,840,373)</b>
<b>General Revenues:</b>					
Taxes:					
General purpose levies					67,198,746
Debt purpose levies					9,637,481
Unrestricted grants and contributions:					
State					64,552,317
Federal					15,231
Unrestricted investment earnings					223,251
Sixteenth section sources					854,055
Other					988,175
<b>Total General Revenues</b>					<b>143,469,256</b>
Change in Net Position					12,628,883
Net Position - Beginning, as previously reported					88,029,479
Prior Period Adjustments					(22,105)
Net Position - Beginning, as restated					88,007,374
Net Position - Ending					<b>\$ 100,636,257</b>

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

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**MADISON COUNTY SCHOOL DISTRICT**

**Governmental Funds**

**Balance Sheet**  
**June 30, 2022**

**Exhibit C**

	Major Funds			Total
	General Fund	District Construction Fund	Other Governmental Funds	Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 33,428,404	39,089,223	11,712,425	84,230,052
Cash with fiscal agents	131,120		353,342	484,462
Investments	0		3,864,565	3,864,565
Due from other governments	2,782,120		2,517,781	5,299,901
Leases receivable	12,264,478			12,264,478
Accrued interest receivable	0		8,143	8,143
Due from other funds	1,577,263			1,577,263
Prepaid items	1,491			1,491
Inventories			129,034	129,034
Total assets	50,184,876	39,089,223	18,585,290	107,859,389
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 4,246,149	580,171	1,052,707	5,879,027
Due to other funds			1,577,263	1,577,263
Total Liabilities	4,246,149	580,171	2,629,970	7,456,290
<b>Deferred Inflows of Resources:</b>				
Deferred inflows - leases	12,605,403			12,605,403
Total deferred inflows of resources	12,605,403	0	0	12,605,403
<b>Fund Balances:</b>				
<b>Nonspendable:</b>				
Inventory			129,034	129,034
Prepaid items	1,491			1,491
Permanent fund principal			2,241,042	2,241,042
<b>Restricted:</b>				
Debt service			8,896,668	8,896,668
Forestry improvement purposes			296,751	296,751
Grant activities			3,996,331	3,996,331
Unemployment benefits			243,720	243,720
<b>Committed:</b>				
Capital improvements		38,509,052		38,509,052
<b>Assigned:</b>				
Facility repair and improvements	3,053,245			3,053,245
Student activities	1,733,710			1,733,710
Instruction	820,539		9,939	830,478
Technology	5,366,012			5,366,012
Unemployment			141,835	141,835
<b>Unassigned</b>	22,358,327			22,358,327
Total Fund Balances	33,333,324	38,509,052	15,955,320	87,797,696
Total liabilities, deferred inflows of resources and fund balances	\$ 50,184,876	39,089,223	18,585,290	107,859,389

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

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**MADISON COUNTY SCHOOL DISTRICT**

**Governmental Funds**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2022**

**Exhibit C-1**

**Total fund balances for governmental funds** \$ 87,797,696

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	\$ 7,121,976	
Construction in progress	7,266,328	
Buildings	280,728,506	
Building improvements	21,602,717	
Improvements other than buildings	21,244,175	
Mobile equipment	14,174,380	
Furniture and equipment	6,727,836	
Intangible right to use equipment assets	752,138	
Accumulated depreciation	<u>(120,956,419)</u>	238,661,637
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	(176,697,464)	
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	37,878,080	
Deferred inflows of resources related to pensions	<u>(53,383,948)</u>	(192,203,332)
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	(8,841,508)	
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	2,590,043	
Deferred inflows of resources related to OPEB	<u>(3,063,654)</u>	(9,315,119)
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	(17,895,000)	
Qualified school construction bonds payable	(2,883,000)	
Shortfall notes payable	(1,022,069)	
Lease obligations payable	(570,511)	
Compensated absences	(1,121,790)	
Unamortized charges	572,252	
Unamortized premiums	(1,201,894)	
Accrued interest payable	<u>(182,613)</u>	(24,304,625)

**Net Position of governmental activities** \$ 100,636,257

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

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**MADISON COUNTY SCHOOL DISTRICT**

**Governmental Funds**

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

**Exhibit D**

**For the Year Ended June 30, 2022**

	Major Funds			
	General Fund	District Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Local sources	\$ 70,298,775		11,107,218	81,405,993
State sources	67,669,132		1,591,020	69,260,152
Federal sources	16,169		18,523,964	18,540,133
Sixteenth section sources	876,155		(55,703)	820,452
Total Revenues	138,860,231	0	31,166,499	170,026,730
<b>Expenditures:</b>				
Instruction	79,157,216		10,347,286	89,504,502
Support services	46,197,809	233,202	5,050,593	51,481,604
Noninstructional services	18	194,694	7,600,538	7,795,250
Sixteenth section	209,180		22,164	231,344
Facilities acquisition and construction	40,841	4,814,041	273,505	5,128,387
Debt service:				
Principal	181,627		10,217,411	10,399,038
Interest	23,633		1,134,379	1,158,012
Other			9,840	9,840
Total Expenditures	125,810,324	5,241,937	34,655,716	165,707,977
Excess (Deficiency) of Revenues over (under) Expenditures	13,049,907	(5,241,937)	(3,489,217)	4,318,753
<b>Other Financing Sources (Uses):</b>				
Insurance recovery	19,902			19,902
Inception of leases	64,086			64,086
Sale of other assets/property	33,629		62	33,691
Payments held by escrow agent			236,427	236,427
Operating transfers in	334,097	25,800,000	4,201,180	30,335,277
Operating transfers out	(30,001,180)		(334,097)	(30,335,277)
Payment to QSCB escrow agent			(236,427)	(236,427)
Total Other Financing Sources (Uses)	(29,549,466)	25,800,000	3,867,145	117,679
Net Change in Fund Balances	(16,499,559)	20,558,063	377,928	4,436,432
<b>Fund Balances:</b>				
July 1, 2021, as previously reported	49,834,917	17,950,989	15,526,625	83,312,531
Prior period adjustments	(2,034)			(2,034)
July 1, 2021, as restated	49,832,883	17,950,989	15,526,625	83,310,497
Increase in reserve for inventory			50,767	50,767
June 30, 2022	\$ 33,333,324	38,509,052	15,955,320	87,797,696

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

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**MADISON COUNTY SCHOOL DISTRICT**

**Governmental Funds**

**Reconciliation of the Governmental Funds Statement of Revenues,  
Expenditures and Changes in Fund Balances to the Statement of Activities  
For the Year Ended June 30, 2022**

**Exhibit D- 1**

**Net change in fund balances - total governmental funds** \$ 4,436,432

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	\$ 5,987,203	
Depreciation expense	<u>(8,682,103)</u>	(2,694,900)
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.		
		(419,558)
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:		
Inception of leases	(64,086)	
Payments of debt principal	10,399,038	
Accrued interest payable	<u>82,118</u>	10,417,070
4. Some items relating to pensions and reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. The activities include:		
Pension expense	(14,547,818)	
Contributions subsequent to the measurement date	<u>14,516,513</u>	(31,305)
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. The activities include:		
OPEB expense	243,597	
Contributions subsequent to the measurement date	<u>283,664</u>	527,261
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	68,539	
Change in inventory reserve	50,767	
Amortization of deferred charges, premiums and discounts	<u>274,577</u>	393,883
<b>Change in Net Position of governmental activities</b>		<u><u>\$ 12,628,883</u></u>

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

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MADISON COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2022

**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 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

MADISON COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2022

capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental funds. 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.

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 major renovations of capital facilities.

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

Additionally, the school district reports the following fund types:

**GOVERNMENTAL 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.

**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. 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

MADISON COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2022

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 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.

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

MADISON COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2022

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.

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.



MADISON COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2022

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
Intangible assets	**	**

(\*\*) The estimated useful life for each right to use asset (intangible asset) is the number of years of the lease which is represented by each right to use asset.

*The term 'depreciation' includes the amortization of intangible assets.*

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 district has incurred deferred outflows which are presented as deferred outflows related to OPEB, pensions, and advance refunding of debt.

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

MADISON COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2022

The district has incurred deferred inflows related to OPEB, pensions, and leases.

See Notes 6, 7, 9, 10, and 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. Leases

The Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases* (GASB 87) to establish a single leasing model for accounting and reporting purposes. This guidance is intended to enhance the accountability, consistency and comparability of lease activities reported by governments. GASB 87 was implemented during fiscal year 2022.

When acting as the lessor for the leasing of sixteenth section trust lands, the school district uses the minimum of 4% interest required by Mississippi statute for sixteenth section loans to calculate the net present value of future sixteenth section lease payments. When acting as lessee, the school district uses its estimated current borrowing rate to calculate the present value of lease payments if the rate implicit in the lease is not known. See Notes 6 and 7 for details.

10. 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 7 for details.

11. 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. See Note 9 for details.

MADISON COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2022

12. 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. For this purpose, benefit payments are recorded when the OPEB benefits come due. Investments are reported at fair value as determined by the state. See Note 10 for details.

13. Fund Balances

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

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

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

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

*Committed fund balance* includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is official action taken by the school board documented in its official minutes. The action for fund balance commitment must occur on or prior to balance sheet date. The district has committed \$38,509,052 for capital 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 District Finance Director pursuant to authorization established by school board policy.

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

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

MADISON COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2022

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 ten percent of general fund revenues for the year. If the unassigned fund balance at fiscal year-end falls below the goal, the District must develop a restoration plan to achieve and maintain the minimum fund balance.

14. Accounting Standards Update

GASB 87, Leases, was implemented during fiscal year 2022. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This guidance is intended to enhance the accountability, consistency and comparability of lease activities reported by governments.

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

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

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

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

**Cash and Cash Equivalents**

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds was \$84,230,052.

MADISON COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2022

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district.

#### Cash with Fiscal Agents

The carrying amount of the school district's cash with fiscal agents held by financial institutions was \$484,462.

#### Investments

As of June 30, 2022, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
U.S. Treasury Notes and Bonds	AA+	Less than 5 years	\$ 2,074,880
Asset Backed Securities	AA+	Less than 5 years	338,913
	AA+	5 to 10 years	370,020
	AA+	10 to 15 years	291,024
Municipal Bonds	NR	Less than 5 years	280,932
U. S. Treasury/Agency Securities	AA+	Less than 5 years	206,756
	AA+	5 to 10 years	221,046
	AA+	10 to 15 years	80,994
Total			<u>\$ 3,864,565</u>

The district categorizes its fair value measurements 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, 2022:

- All investments are valued using quoted market prices (Level 1 inputs).

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

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

*Custodial Credit Risk - Investments.* Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2022, the district did not have any investments to which this would apply.

MADISON COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2022

*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	Other governmental funds	\$ 1,577,263
Total		<u>\$ 1,577,263</u>

Inter-fund balances represent loans created by the existence of negative fund cash balances in a pooled bank account. Negative fund cash balances in governmental funds (special revenue funds) are a result of the timing of cash flows inherent in the reimbursable grant funds due from the State and Federal governments.

**B. Inter-fund Transfers**

Transfers In	Transfers Out	Amount
General Fund	Other governmental funds	\$ 334,097
District Construction Fund	General Fund	25,800,000
Other governmental funds	General Fund	<u>4,201,180</u>
Total		<u>\$ 30,335,277</u>

Inter-fund transfers represent operating transfers from the General Fund to other governmental funds. Also included are transfers of indirect costs from special revenue funds to the General Fund.

**Note 4 – Restricted Assets**

The restricted assets represent the cash balance, totaling \$391,400, the cash with fiscal agents balance, totaling \$51,814, the investments balance, totaling \$1,789,685, and the accrued interest balance, totaling \$8,143, 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. Also included as restricted assets are the cash balance, totaling \$347,833, the cash with fiscal agents balance, totaling \$301,528, and the investments balance, totaling \$2,074,880, of the 2010 QSCB Bond Retirement Fund, which is legally restricted for the retirement of debt.

**Note 5 – Capital Assets**

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

MADISON COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2022

*The term depreciation includes amortization of intangible assets.*

	Balance 7/1/2021	Increases	Decreases	Adjustments	Balance 6/30/2022
<b>Governmental Activities:</b>					
<u>Non-depreciable capital assets:</u>					
Land	\$ 7,121,976				7,121,976
Construction-in-progress	5,985,128	5,128,387	3,811,593	(35,594)	7,266,328
Total non-depreciable capital assets	13,107,104	5,128,387	3,811,593	(35,594)	14,388,304
<u>Depreciable capital assets:</u>					
Buildings	280,728,506				280,728,506
Building improvements	21,340,947	261,770			21,602,717
Improvements other than buildings	18,517,247	3,581,808	854,880		21,244,175
Mobile equipment	13,976,207	198,173			14,174,380
Furniture and equipment	6,191,040	564,572	110,960	83,184	6,727,836
Intangible right to use equipment	-	64,086		688,052	752,138
Total depreciable capital assets	340,753,947	4,670,409	965,840	771,236	345,229,752
<u>Less accumulated depreciation for:</u>					
Buildings	89,363,416	5,390,438			94,753,854
Building improvements	4,179,784	862,120			5,041,904
Improvements other than buildings	7,803,546	739,426	438,541		8,104,431
Mobile equipment	5,966,537	1,151,439			7,117,976
Furniture and equipment	5,439,762	297,673	107,741	67,553	5,697,247
Intangible right to use equipment		241,007			241,007
Total accumulated depreciation	112,753,045	8,682,103	546,282	67,553	120,956,419
Total depreciable capital assets, net	228,000,902	(4,011,694)	419,558	703,683	224,273,333
Governmental activities capital assets, net	\$ 241,108,006	1,116,693	4,231,151	668,089	238,661,637
Total capital assets, net excluding intangible right to use assets					238,150,506
Intangible right to use assets, net					511,131
Total capital assets, net as reported in the statement of net position					<u>238,661,637</u>

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 6,208,128
Support services	2,412,084
Non-instructional	61,891
Total depreciation expense - Governmental activities	<u>\$ 8,682,103</u>

MADISON COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2022

Adjustments to capital assets reflect prior year assets purchased but not captured in the system and related depreciation not expensed in prior years. Certain facilities acquisition and construction expenditures were removed from inclusion in capitalized assets when the completed project costs failed to meet capitalization thresholds.

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

	Spent to June 30, 2022	Remaining Commitment
<b>Governmental Activities:</b>		
FY 20 ASE Addition	\$ 4,205,189	\$ 38,876
FY 20 GT 6th Grade School	1,121,777	722,260
FY 21 CO Boiler/HVAC Project	1,141,458	90,793
VJHS Restroom Renovation	45,810	1,033,270
RHS Foundation Repair (Art Wing)	679,162	99,751
Entrance Modifications	40,947	179,840
Entrance sign at MAUE	31,985	-
Total governmental activities	<u>\$ 7,266,328</u>	<u>\$ 2,164,790</u>

Construction projects included in governmental activities are funded with local funds committed for capital improvements and COVID-19 funding in the form of Elementary and Secondary School Emergency Funding (ESSER) grants.

## Note 6 – Leases

### As Lessee:

The school district is a lessee for various non-cancellable leases of equipment. For leases that have a maximum possible term of 12 months or less at commencement, the school district recognizes expense based on the provisions of the lease contract. For all other leases, other than short term, the school district recognized a lease and an intangible right-to-use lease asset.

At lease commencement, the school district initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, less lease payments made at or before the lease commencement date, plus any initial direct costs ancillary to placing the underlying asset into service, less any lease incentives received at or before the lease commencement date. Subsequently, the lease asset is amortized in depreciation expense on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

The school district generally uses its estimated borrowing rate at lease inception as the discount rate for leases unless the rate that the lessor charges is known.

The lease term includes the non-cancellable period of the lease plus any additional periods covered by either a school district or lessor option to extend for which it is reasonably certain to be exercised or terminate for which it is reasonably certain to not be exercised. Periods in which both the school district and the lessor have a unilateral option to terminate (or if both parties have agreed to extend) are excluded from the lease term.

The school district, acting as lessee, has entered into three (3) leases for equipment. Details of the lease obligations can be found in Note 7.



MADISON COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2022

**As Lessor:**

**Sixteenth Section Lands**

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

The school district uses the rate of 4% minimum interest required by Mississippi statute for sixteenth section loans to calculate the present value of sixteenth section lease rental payments since a rate implicit in the sixteenth section leases is not a part of the lease contract. The school district's financial statements have not been restated nor has a cumulative effect been reflected for the restatement of the beginning net position of the school district.

The school district, acting as lessor, has entered into 720 leases involving the leasing of the right to use Sixteenth Section school lands. Such leases are let for a term that corresponds with state law in accordance with the type of lease executed. The district's financial statements have not been restated nor has a cumulative effect been reflected for the restatement of the beginning net position of the district as part of the implementation of GASB Statement No. 87. The school district has, however, included in its financial statements at year end the net present value of future lease payments of \$11,281,084 as a lease receivable and \$11,613,952 as deferred inflows of resources. The deferred inflows of resources for leases are being amortized using the straight-line method of amortization.

The total amount of inflows of resources recognized during the current fiscal year is \$606,105.

The following are the future Principal and Interest Payments to be received on the leases:

Year Ending June 30	Principal Payments	Interest Payments	Total
2023	\$ 471,622	451,243	922,865
2024	456,923	432,378	889,301
2025	424,097	414,102	838,199
2026	360,896	397,138	758,034
2027	366,645	382,702	749,347
2028-2032	1,813,406	1,698,641	3,512,047
2033-2037	2,013,402	1,317,458	3,330,860
2038-2042	1,857,197	920,532	2,777,729
2043-2047	1,360,523	586,296	1,946,819
2048-2052	1,073,418	344,315	1,417,733
2053-2057	791,475	149,653	941,128
2058-2062	252,856	27,766	280,622
2063-2067	25,026	5,724	30,750
2068-2072	12,444	1,499	13,943
Thereafter	1,154	46	1,200
Total	\$ 11,281,084	7,129,493	18,410,577

**Cellular Phone Tower Site Leases**

The school district, acting as lessor, has entered into 3 leases involving the leasing of the right to use non-

MADISON COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2022

sixteenth section school lands as sites for cellular phone towers. The district's financial statements have not been restated nor has a cumulative effect been reflected for the restatement of the beginning net position of the district as part of the implementation of GASB Statement No. 87. The school district has, however, included in its financial statements at year end the present value of future lease payments of \$983,394 as a lease receivable and \$991,451 as deferred inflows of resources. The deferred inflows of resources for leases are being amortized using the straight-line method of amortization.

The school district uses the rate of 4% to calculate the present value of the cellular phone tower space rental on non-sixteenth section lands.

The total amount of inflows of resources recognized during the current fiscal year is \$30,837.

The following are the future Principal and Interest Payments to be received on the leases:

Year Ending June 30	Principal Payments	Interest Payments	Total
2023	\$ -	39,336	39,336
2024	1,897	39,353	41,250
2025	2,433	39,260	41,693
2026	2,531	39,163	41,694
2027	4,882	39,062	43,944
2028-2032	43,494	191,438	234,932
2033-2037	86,146	179,523	265,669
2038-2042	142,630	158,024	300,654
2043-2047	216,607	123,894	340,501
2048-2052	187,913	80,523	268,436
2053-2057	150,029	46,420	196,449
2058-2061	144,832	14,766	159,598
Total	\$ 983,394	990,762	1,974,156

Total future Principal and Interest Payments to be received on all leases, including Sixteenth Section land leases and cellular phone tower site leases, is as follows:

Year Ending June 30	Principal Payments	Interest Payments	Total
2023	\$ 471,622	490,579	962,201
2024	458,820	471,731	930,551
2025	426,530	453,362	879,892
2026	363,427	436,301	799,728
2027	371,527	421,764	793,291
2028-2032	1,856,900	1,890,079	3,746,979
2033-2037	2,099,548	1,496,981	3,596,529
2038-2042	1,999,827	1,078,556	3,078,383
2043-2047	1,577,130	710,190	2,287,320
2048-2052	1,261,331	424,838	1,686,169
2053-2057	941,504	196,073	1,137,577
2058-2062	397,688	42,532	440,220
2063-2067	25,026	5,724	30,750
2068-2072	12,444	1,499	13,943
Thereafter	1,154	46	1,200
Total	\$ 12,264,478	8,120,255	20,384,733

MADISON COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2022

**Note 7 – Long-term Liabilities**

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

		Balance 7/1/2021	Additions	Reductions	Adjustments	Balance 6/30/2022	Amounts due within one year
A.	General obligation bonds payable	\$ 27,610,000		9,715,000		17,895,000	9,945,000
B.	Shortfall notes payable	1,524,480		502,411		1,022,069	508,138
	Qualified school construction bonds payable	2,883,000				2,883,000	
D.	Lease obligations payable	-	64,086	181,627	688,052	570,511	197,626
E.	Compensated absences payable	1,190,329		68,539		1,121,790	56,090
	Subtotal	\$ 33,207,809	64,086	10,467,577	688,052	23,492,370	10,706,854
	Premiums	1,679,030		477,136		1,201,894	
		\$ 34,886,839	64,086	10,944,713	688,052	24,694,264	10,706,854

**A. General obligation bonds payable**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. General obligation refunding bonds, Series 2012	2.0-5.0%	22-May-12	15-Apr-25	\$ 25,600,000	\$ 8,260,000
2. General obligation bonds, Series 2010	2.0-2.75%	15-Oct-10	15-Apr-23	29,000,000	3,750,000
3. General obligation refunding bonds, Series 2020	5.00%	19-Mar-20	1-Mar-24	13,180,000	5,885,000
Total				<u>\$ 67,780,000</u>	<u>\$ 17,895,000</u>

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

1. General obligation bond issue of May 22, 2012:

Year Ending June 30	Principal	Interest	Total
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>\$ 8,260,000</u>	<u>667,600</u>	<u>8,927,600</u>

This debt will be retired from the 2012 GO Refunding Debt Service Fund.

MADISON COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2022

2. General obligation bond issue of October 15, 2010:

Year Ending June 30	Principal	Interest	Total
2023	\$ 3,750,000	103,125	3,853,125
Total	<u>\$ 3,750,000</u>	<u>103,125</u>	<u>3,853,125</u>

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

3. General obligation bond issue of March 19, 2020:

Year Ending June 30	Principal	Interest	Total
2023	\$ 3,535,000	294,250	3,829,250
2024	<u>2,350,000</u>	<u>117,500</u>	<u>2,467,500</u>
Total	<u>\$ 5,885,000</u>	<u>411,750</u>	<u>6,296,750</u>

This debt will be retired from the 2020 GO Refunding Bond Debt Service Fund.

Total general obligation bond payments for all issues:

Year Ending June 30	Principal	Interest	Total
2023	\$ 9,945,000	727,775	10,672,775
2024	5,120,000	341,500	5,461,500
2025	<u>2,830,000</u>	<u>113,200</u>	<u>2,943,200</u>
Total	<u>\$ 17,895,000</u>	<u>1,182,475</u>	<u>19,077,475</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2022, the amount of outstanding bonded indebtedness was equal to 1% of property assessments as of October 1, 2021.

**B. Shortfall notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Revenue Shortfall Note 2020	1.14%	3-Sep-20	3-Sep-23	\$ 1,524,480	\$ 1,022,069
Total				<u>\$ 1,524,480</u>	<u>\$ 1,022,069</u>

MADISON COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2022

The amount outstanding is included in due from other governments on the Statement of Net Position.

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

Shortfall notes payable issue of September 3, 2020:

Year Ending June 30	Principal	Interest	Total
2023	\$ 508,138	11,652	519,790
2024	513,931	5,859	519,790
Total	<u>\$ 1,022,069</u>	<u>17,511</u>	<u>1,039,580</u>

This debt will be retired from the 2020 Shortfall Note Debt Service Fund.

**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, Series 2010	0.40%	14-Jan-10	15-Sep-24	\$ 3,000,000	\$ 2,883,000
Total				<u>\$ 3,000,000</u>	<u>\$ 2,883,000</u>

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

Qualified school construction bonds payable issued January 14, 2010:

Year Ending June 30	Principal	Interest	Total
2023	\$ -	11,532	11,532
2024	-	11,532	11,532
2025	2,883,000	11,532	2,894,532
Total	<u>\$ 2,883,000</u>	<u>34,596</u>	<u>2,917,596</u>

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

**D. Lease obligations payable**

The school district has entered into eighteen (18) equipment leases as lessee. For purposes of this note disclosure, leases are grouped into copier leases and district-wide printer leases.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. 50 District Copiers	4.00%	Varies	Varies	\$ 312,117	\$ 237,489
2. Printers	4.00%	1-Jul-21	30-Jun-25	440,022	333,022
Total				<u>\$ 752,139</u>	<u>\$ 570,511</u>

MADISON COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2022

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

1. 50 District Copiers at all locations with varying lease dates.

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2023	\$ 87,788	7,871	95,659
2024	72,408	4,609	77,017
2025	65,311	1,842	67,153
2026	11,982	183	12,165
Total	<u>\$ 237,489</u>	<u>14,505</u>	<u>251,994</u>

2. District-wide Printers at all locations dated July 1, 2021.

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2023	\$ 109,838	11,322	121,160
2024	114,312	6,848	121,160
2025	108,872	2,190	111,062
Total	<u>\$ 333,022</u>	<u>20,360</u>	<u>353,382</u>

Total payments due on all lease obligations.

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2023	\$ 197,626	19,193	216,819
2024	186,720	11,457	198,177
2025	174,183	4,032	178,215
2026	11,982	183	12,165
Total	<u>\$ 570,511</u>	<u>34,865</u>	<u>605,376</u>

**E. Compensated absences payable**

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

MADISON COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2022

**Note 8 – Other Commitments**

Commitments under re-roofing and renovation contracts, described in Note 5, amount to \$2,164,790.

**Note 9 – 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 is available at [www.pers.ms.gov](http://www.pers.ms.gov).

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

*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, 2022 was 17.40% 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, 2022, 2021 and 2020 were \$14,516,513, \$13,830,811, and \$13,641,065, 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, 2022, the school district reported a liability of \$176,697,464 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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,

MADISON COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2022

actuarially determined. The school district's proportionate share used to calculate the June 30, 2022 net pension liability was 1.195482 percent, which was based on a measurement date of June 30, 2021. This was an increase of 0.018132 percent from its proportionate share used to calculate the June 30, 2021 net pension liability, which was based on a measurement date of June 30, 2020.

For the year ended June 30, 2022, the District recognized pension expense of \$14,547,818. At June 30, 2022, 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	\$ 2,806,945	\$
Net difference between projected and actual earnings on pension plan investments		53,383,948
Changes of assumptions	13,567,428	
Changes in proportion and differences between District contributions and proportionate share of contributions	6,987,194	
District contributions subsequent to the measurement date	14,516,513	
Total	\$ <u>37,878,080</u>	\$ <u>53,383,948</u>

\$14,516,513 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	
2023	\$ (2,444,369)
2024	(4,116,762)
2025	(7,603,846)
2026	(15,857,404)

*Actuarial assumptions.* The total pension liability as of June 30, 2021 was determined by actuarial valuation prepared as of June 30, 2020, by the new actuarial assumptions adopted by the Board subsequent to the June 30, 2020 valuation based on the experience investigation for the four-year period ending June 30, 2020, and by the investment experience for the fiscal year ending June 30, 2021. The following actuarial assumptions are applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	2.65-17.90 percent, including inflation
Investment rate of return	7.55 percent, net of pension plan investment expense, including inflation

Mortality rates for service retirees were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For females, 84% of female rates up to age 72 and 100% for ages above 76. Mortality rates for disability retirees were based on the PubG.H-2010 Disabled Table adjusted 134% for males and 121% for females. Mortality rates for Contingent Annuitants were based on the PubS.H-2010(B) Contingent Annuitant Table,



MADISON COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2022

adjusted 97% for males and 110% for females. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used for the purposes of determining the total pension liability were based on the results of an actuarial experience study for the period July 1, 2016 to June 30, 2020. The experience report is dated April 20, 2021.

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 most recent 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>	
Domestic Equity	27.00	%	4.60	%
International Equity	22.00		4.50	
Global Equity	12.00		4.80	
Fixed Income	20.00		(0.25)	
Real Estate	10.00		3.75	
Private Equity	8.00		6.00	
Cash Equivalents	1.00		(1.00)	
Total	100	%		

*Discount rate.* The discount rate used to measure the total pension liability was 7.55 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 (9.00%) and that employer contributions will be made at the current contribution rate (17.40%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.* The following table presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.55%, 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 (6.55%) or 1-percentage-point higher (8.55%) than the current rate:

	<u>1% Decrease (6.55%)</u>	<u>Current Discount Rate (7.55%)</u>	<u>1% Increase (8.55%)</u>
District's proportionate share of the net pension liability	\$ 250,245,035	\$ 176,697,464	\$ 116,088,415

*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 10 – 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

MADISON COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2022

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. The plan issues a publicly available financial report that can be obtained at <http://knowyourbenefits.dfa.ms.gov/>.

*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.

*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 \$283,664 for the year ended June 30, 2022.

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

At June 30, 2022, the District reported a liability of \$8,841,508 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, 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, 2021, the District's proportion was 1.37358323 percent. This was an increase of 0.04440609 percent from the proportionate share as of the measurement date of June 30, 2020.

MADISON COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2022

For the year ended June 30, 2022, the District recognized OPEB expense of (\$243,597). At June 30, 2022, 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>
Differences between expected and actual experience	\$ 9,615	\$ 2,764,625
Changes of assumptions	1,431,947	299,029
Net difference between projected and actual earnings on OPEB plan investments	412	
Changes in proportion and differences between District contributions and proportionate share of contributions	864,405	
District contributions subsequent to the measurement date	283,664	
<b>Total</b>	<b>\$ <u>2,590,043</u></b>	<b>\$ <u>3,063,654</u></b>

\$283,664 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:

2023	\$ (143,436)
2024	(134,717)
2025	(111,548)
2026	(211,000)
2027	(156,574)

*Actuarial assumptions.* The total OPEB liability was determined by an actuarial valuation as of June 30, 2021, using the following key actuarial assumptions and other inputs:

Inflation	2.40 percent
Salary increases	2.65-17.90 percent, including wage inflation
Municipal Bond Index Rate	
Measurement Date	2.13%
Prior Measurement Date	2.19%
Year FNP is projected to be depleted	
Measurement Date	2021
Prior Measurement Date	2020

MADISON COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2022

Single Equivalent Interest Rate, net  
of OPEB plan investment expense,  
including inflation

Measurement Date	2.13%
Prior Measurement Date	2.19%

Health Care Cost Trends

Medicare Supplement Claims	6.50% for 2022 decreasing to an ultimate
Pre-Medicare	rate of 4.50% by 2030

Mortality rates for service retirees were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For females, 84% of female rates up to age 72 and 100% for ages above 76. Mortality rates for disability retirees were based on the PubG.H-2010 Disabled Table adjusted 134% for males and 121% for females. Mortality rates for Contingent Annuitants were based on the PubS.H-2010(B) Contingent Annuitant Table, adjusted 97% for males and 110% for females. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

The demographic actuarial assumptions used in the June 30, 2021 valuation were based on the results of the last actuarial experience study, dated April 20, 2021.

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, 2021 valuation were based on a review of recent plan experience done concurrently with the June 30, 2021 valuation.

The long-term expected rate of return on OPEB plan investments is 4.50%.

*Discount rate.* The discount rate used to measure the total OPEB liability at June 30, 2021 was 2.13 percent. Since the Prior Measurement Date, the Discount Rate has changed from 2.19% to 2.13%.

The trust was established on June 28, 2018 with an initial contribution of \$1,000,000. As of June 30, 2021, the trust has \$1,044,424. The fiduciary net position is projected to be depleted immediately, therefore, the Municipal Bond Index Rate is used in the determination of the discount rate for both the June 30, 2020 and the June 30, 2021 total OPEB liability. The discount rate used to measure the total OPEB liability at June 30, 2021 was based on a monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate.

*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 (1.13 percent) or 1-percentage-point higher (3.13 percent) than the current discount rate:

	1% Decrease (1.13%)	Current Discount Rate (2.13%)	1% Increase (3.13%)
Net OPEB liability	\$ 9,786,286	\$ 8,841,508	\$ 8,035,943

*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

MADISON COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2022

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	\$ 8,189,523	\$ 8,841,508	\$ 9,579,342

*OPEB plan fiduciary net position.* Detailed information about the OPEB plan's fiduciary net position is available in a separately issued report that can be found at <http://knowyourbenefits.dfa.ms.gov/>.

### 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. Error correction of a prior period recording of an asset or liability	\$ (2,034)
2. Restatement of prior period amounts of construction in progress and capital assets	(19,963)
3. Restatement of prior period amounts of OPEB liability	(108)
Total	<u>\$ (22,105)</u>

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

Fund	Explanation	Amount
General Fund	Error correction of a prior period recording of an asset or liability	\$ (2,034)
Total		<u>\$ (2,034)</u>

### Note 12 – Contingencies

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

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

MADISON COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2022

**Note 13 – Risk Management**

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

**Note 14– Qualified School Construction Bonds**

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

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB. The debt issued by the district is interest-bearing and no subsidy payments were received.

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, 2022 was \$2,376,408, which included cash with fiscal agents of \$301,528 and investments totaling \$2,074,880. 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
2023	\$ 231,300
2024	231,300
2025	231,277
Total	<u>\$ 693,877</u>

**Note 15 - Insurance loss recoveries**

The Madison County School District received \$19,902 in insurance loss recoveries related to property damage during the 2021-2022 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and allocated among the expense functions based on the following percentages:

Insurance Loss Recoveries	Percentage	Expense Function
\$ 19,902	100%	Support services
<u>\$ 19,902</u>	<u>100%</u>	

MADISON COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2022

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

The net investment in capital assets amount of \$216,683,484 includes the effect of deferring the recognition of expenditures resulting from a deferred outflow from advance refunding of school district capital related debt. The \$572,252 of the deferred outflow of resources at June 30, 2022, will be recognized as an expense and decrease the net investment in capital assets net position over the next 3 years.

The unrestricted net position amount of (\$131,669,651) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pension in the amount of \$14,516,513 resulting from the school district contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. The \$23,361,567 balance of deferred outflow of resources related to pensions, at June 30, 2022 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$131,669,651) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$53,383,948 balance of deferred inflow of resources related to pensions, at June 30, 2022 will be recognized as revenue and will increase the unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$131,669,651) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from OPEB. A portion of the deferred outflow of resources related to OPEB in the amount of \$283,664 resulting from the school district contribution subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. The \$2,306,379 balance of deferred outflow of resources related to OPEB, at June 30, 2022 will be recognized as an expense and will decrease the unrestricted net position over the next 5 years.

The unrestricted net position amount of (\$131,669,651) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$3,063,654 balance of deferred inflow of resources related to OPEB, at June 30, 2022 will be recognized as revenue and will increase the unrestricted net position over the next 5 years.

The unrestricted net position amount of (\$131,669,651) includes the effect of deferring recognition of revenue resulting from a deferred inflow from leases. The \$12,605,403 balance of deferred inflow of resources related to leases at June 30, 2022, will be recognized as revenue and will increase the unrestricted net position over the next 50 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 March 15, 2023, and determined that the following events have occurred requiring disclosure in the notes

MADISON COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2022

to the financial statements: The school board approved the issuance of a \$40 million three-mill limited tax note at the March 6, 2023, board meeting. The proceeds will be used for the construction of a new auditorium (performing arts center) and 24 additional classrooms at Germantown High School.



## REQUIRED SUPPLEMENTARY INFORMATION

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**MADISON COUNTY SCHOOL DISTRICT**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**

**General Fund**

**For the Year Ended June 30, 2022**

	Budgeted Amounts		Actual	Variances	
				Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 69,827,473	70,306,832	70,298,775	479,359	(8,057)
State sources	67,239,887	67,669,132	67,669,132	429,245	0
Federal sources	0	16,169	16,169	16,169	0
Sixteenth section sources	917,231	1,209,023	876,155	291,792	(332,868)
Total Revenues	137,984,591	139,201,156	138,860,231	1,216,565	(340,925)
<b>Expenditures:</b>					
Instruction	82,270,868	79,503,693	79,157,216	2,767,175	346,477
Support services	51,881,730	47,066,493	46,197,809	4,815,237	868,684
Noninstructional services	0	18	18	(18)	0
Sixteenth section	223,269	212,180	209,180	11,089	3,000
Facilities acquisition and construction	0	66,841	40,841	(66,841)	26,000
Debt service:					
Principal	0	0	181,627	0	(181,627)
Interest	0	0	23,633	0	(23,633)
Total Expenditures	134,375,867	126,849,225	125,810,324	7,526,642	1,038,901
Excess (Deficiency) of Revenues over (under) Expenditures	3,608,724	12,351,931	13,049,907	8,743,207	697,976
<b>Other Financing Sources (Uses):</b>					
Insurance recovery	0	19,902	19,902	19,902	0
Inception of leases	0	0	64,086	0	64,086
Sale of other assets/property	100,000	33,629	33,629	(66,371)	0
Operating transfers in	17,406,466	16,089,920	334,097	(1,316,546)	(15,755,823)
Operating transfers out	(26,165,983)	(45,755,444)	(30,001,180)	(19,589,461)	15,754,264
Total Other Financing Sources (Uses)	(8,659,517)	(29,611,993)	(29,549,466)	(20,952,476)	62,527
Net Change in Fund Balances	(5,050,793)	(17,260,062)	(16,499,559)	(12,209,269)	760,503
<b>Fund Balances:</b>					
July 1, 2021, as previously reported	47,982,242	49,834,917	49,834,917	1,852,675	0
Prior period adjustments	0	(2,034)	(2,034)	(2,034)	0
July 1, 2021, as restated	47,982,242	49,832,883	49,832,883	1,850,641	0
June 30, 2022	\$ 42,931,449	32,572,821	33,333,324	(10,358,628)	760,503

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

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**MADISON COUNTY SCHOOL DISTRICT**

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

**PERS**

**Last 10 Fiscal Years\***

		2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	%	1.195482	1.177350	1.132755	1.101958	1.072664	1.016394	0.990482	0.944503
District's proportionate share of the net pension liability	\$	176,697,464	227,921,279	199,273,954	183,288,355	178,313,163	181,553,348	153,108,985	114,645,371
District's covered payroll	\$	79,487,420	78,396,925	73,773,403	70,370,552	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		222.30%	290.73%	270.12%	260.46%	259.13%	279.22%	247.43%	198.55%
Plan fiduciary net position as a percentage of the total pension liability		70.44%	58.97%	61.59%	62.54%	61.49%	57.47%	61.70%	67.21%

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

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

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

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**MADISON COUNTY SCHOOL DISTRICT**

**Schedule of District Contributions**

**PERS**

**Last 10 Fiscal Years**

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 14,516,513	13,830,811	13,641,065	11,619,311	11,083,362	10,837,891	10,240,838	9,746,047
Contributions in relation to the contractually required contribution	14,516,513	13,830,811	13,641,065	11,619,311	11,083,362	10,837,891	10,240,838	9,746,047
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-
District's covered payroll	\$ 83,428,236	79,487,420	78,396,925	73,773,403	70,370,552	68,812,006	65,021,194	61,879,663
Contributions as a percentage of covered payroll	17.40%	17.40%	17.40%	15.75%	15.75%	15.75%	15.75%	15.75%

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

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

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**MADISON COUNTY SCHOOL DISTRICT**

**Schedule of the District's Proportionate Share of the Net OPEB Liability**

**OPEB**

**Last 10 Fiscal Years\***

		2022	2021	2020	2019	2018
District's proportion of the net OPEB liability	%	1.37358323	1.32917714	1.29353795	1.26346794	1.22650018
District's proportionate share of the net OPEB liability	\$	8,841,508	10,343,763	10,976,200	9,773,556	9,623,231
District's covered - employee payroll		79,487,420	64,057,778	59,236,613	57,145,796	55,103,280
District's proportionate share of the net OPEB liability as a percentage of its covered - employee payroll		11.12%	16.15%	18.53%	17.10%	17.46%
Plan fiduciary net position as a percentage of the total OPEB liability		0.16%	0.13%	0.12%	0.13%	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.

*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.*

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**MADISON COUNTY SCHOOL DISTRICT**

**Schedule of District Contributions**

**OPEB**

**Last 10 Fiscal Years**

		2022	2021	2020	2019	2018
Actuarially determined contribution	\$	283,664	355,372	412,508	439,980	410,253
Contributions in relation to the actuarially determined contribution		283,664	355,372	412,508	439,980	410,253
Contribution deficiency (excess)	\$	-	-	-	-	-
District's covered - employee payroll		83,428,236	79,487,420	78,396,925	73,773,403	71,960,969
Contributions as a percentage of covered - employee payroll		0.34%	0.45%	0.53%	0.60%	0.57%

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

Prior year information is based on historical amounts reported in prior year audit reports.

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.

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MADISON COUNTY SCHOOL DISTRICT  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2022

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before October 15. A budgetary comparison is presented for the General Fund 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%.

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%.

2019:

MADISON COUNTY SCHOOL DISTRICT  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2022

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments: for males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119; for females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119; and projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments: for males, 137% of male rates at all ages; for females, 115% of female rates at all ages; and projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 3.00% to 2.75%.

The wage inflation assumption was reduced from 3.25% to 3.00%.

Withdrawal rates, pre-retirement mortality 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 7% to 9%.

2021:

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments: for males, 95% of male rates up to age 60, 110% for ages 61 to 75, and 101% for ages above 77; for females, 84% of female rates up to age 72, 100% for ages above 76; and projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The expectation of disabled mortality was changed to PubG.H-2010 Disabled Table for disabled retirees with the following adjustments: for males, 134% of male rates at all ages; for females, 121% of female rates at all ages; and projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The expectation of contingent annuitant mortality was based on the PubS.H-2010(B) Contingent Annuitant Table with the following adjustments: for males, 97% of male rates at all ages; for females, 110% of female rates at all ages; and projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 2.75% to 2.40%.

The wage inflation assumption was reduced from 3.00% to 2.65%.

The investment rate of return assumption was changed from 7.75% to 7.55%.

The assumed load for administrative expenses was increased from 0.25% to 0.28%.

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

The percentage of active member disabilities assumed to be in the line of duty was increased from 9% to 12%.

The percentage of active member deaths assumed to be in the line of duty was decreased from 6% to 4%.

(2) *Changes in benefit provisions*

MADISON COUNTY SCHOOL DISTRICT  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2022

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, 2019 valuation for the June 30, 2021 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	28.8 years
Asset valuation method	5-year smoothed market
Price Inflation	2.75 percent
Salary increase	3.00 percent to 18.25 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.

2018: The discount rate was changed from 3.56% for the prior Measurement Date to 3.89% for the current Measurement Date.

2019: The discount rate was changed from 3.89% for the prior Measurement Date to 3.50% for the current Measurement Date.

2020: The discount rate was changed from 3.50% for the prior Measurement Date to 2.19% for the current Measurement Date.

2021: The discount rate was changed from 2.19% for the prior Measurement Date to 2.13% for the current Measurement Date.

- (2) *Changes in benefit provisions*

2017: None

2018: None

2019: None

2020: The schedule of monthly retiree contributions was increased as of January 1, 2021. In addition, the deductibles and coinsurance maximums were increased for the Select coverage and the coinsurance maximums were increased for the Base Coverage beginning January 1, 2021.

2021: The schedule of monthly retiree contributions was increased as of January 1, 2022. In

MADISON COUNTY SCHOOL DISTRICT  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2022

addition, the in-network medical deductible was increased for the Select coverage beginning January 1, 2022.

- (3) *Methods and assumptions used in calculations 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, 2020 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2021:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price inflation	2.75%
Salary increases, including wage inflation	3.00% to 18.25%
Initial health care cost trend rates	
Medicare Supplement Claims	7.00%
Pre-Medicare	
Ultimate health care cost trend rates	
Medicare Supplement Claims	4.75%
Pre-Medicare	
Year of ultimate trend rates	
Medicare Supplement Claims	2028
Pre-Medicare	
Long-term investment rate of return, net of OPEB plan investment expense, including price inflation	2.19%



## SUPPLEMENTARY INFORMATION

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**MADISON COUNTY SCHOOL DISTRICT**

**Supplementary Information**

**Schedule of Expenditures of Federal Awards**

**For the Year Ended June 30, 2022**

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>			
Passed-through Mississippi Department of Education:			
Child nutrition cluster:			
National school lunch program - seamless summer option	10.555	225MS326N1099	\$ 7,404,133
National school lunch program - commodities	10.555	225MS326N1099	490,852
COVID-19 - Emergency operations cost	10.555	225MS326N1099	216,228
Summer food service program for children	10.559	225MS326N1099	159,698
Total child nutrition cluster			<u>8,270,911</u>
Administrative expense reimbursement	10.560	225MS907N2533	25,694
Total passed-through Mississippi Department of Education			<u>8,296,605</u>
<b>Total U.S. Department of Agriculture</b>			<u><b>8,296,605</b></u>
<b><u>U.S. Department of Defense</u></b>			
Direct Program:			
Reserve Officers' Training Corps	12.xxx	N/A	264,067
<b>Total U.S. Department of Defense</b>			<u><b>264,067</b></u>
<b><u>U.S. Department of Education</u></b>			
Passed-through Mississippi Department of Education:			
Title I grants to local educational agencies	84.010	S010A180024 S010A190024 S010A200024 S010A210024	2,087,429
Career and technical education - basic grants to states	84.048	V048A210024	139,488
Rural education	84.358	S358B180024 S358B190024 S358B200024 S358B210024	103,128
English language acquisition grants	84.365	S365S180024 S365A190024 S365A200024 S365A210024	116,266
Supporting effective instruction state grants	84.367	S367A180023 S367A190023 S367A200023 S367A210023	603,598
Subtotal			<u>3,049,909</u>
Special education cluster:			
Special education - grants to states	84.027	H027A180108 H027A190108 H027A200108 H027A210108	3,297,962
COVID-19 - Special education - grants to states	84.027X	H027X210108	150,909
Special education - preschool grants	84.173	H173A190113 H173A200113 H173A210113	69,025
COVID-19 - Special education - preschool grants	84.173X	H173X210113	42,448
Total special education cluster			<u><u>3,560,344</u></u>

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures
COVID-19 - Elementary & Secondary School Emergency Relief Fund I	84.425D	S425D200031	303,535
COVID-19 - Elementary & Secondary School Emergency Relief Fund II	84.425D	S425D210031	2,549,331
COVID-19 - Elementary & Secondary School Emergency Relief Fund ARP III	84.425U	S425U210031	689,690
Total COVID-19 - Education Stabilization Fund (ESSER)			3,542,556
Total passed-through Mississippi Department of Education			10,152,809
Passed-through Mississippi Office of the Governor:			
COVID-19 - Education Stabilization Fund (GEER)	84.425C	MCSD1.2	27,000
Total passed-through Mississippi Office of the Governor			27,000
<b>Total U.S. Department of Education</b>			<b>10,179,809</b>
<b><u>U.S. Department of Health and Human Services</u></b>			
Passed-through the Mississippi Department of Education:			
Medicaid cluster:			
Medical assistance program	93.778	2205MS5ADM	67,889
Total Medicaid cluster			67,889
Total passed-through Mississippi Department of Education			67,889
<b>Total U.S. Department of Health and Human Services</b>			<b>67,889</b>
<b><u>Social Security Administration</u></b>			
Passed-through the Mississippi Department of Rehabilitation Services:			
Disability insurance/SSI cluster:			
Social security disability insurance	96.001	4-22-04MSD100	938
Total Social security disability insurance cluster			938
Total passed-through Mississippi Department of Rehabilitation Services:			938
<b>Total Social Security Administration</b>			<b>938</b>
<b>Total for All Federal Awards</b>			<b>\$ 18,809,308</b>

The accompanying notes to the schedule of expenditures of federal awards are an integral part of this schedule.

MADISON COUNTY SCHOOL DISTRICT  
Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2022

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 Madison County School District under programs of the federal government for the year ended June 30, 2022. 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 Madison County School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Madison County School District.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

(3) Indirect Cost Rate

The Madison County School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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**MADISON COUNTY SCHOOL DISTRICT**

**Supplementary Information**

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

**For the Year Ended June 30, 2022**

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 112,121,303	90,877,080	4,115,363	10,063,067	7,065,793
Other	53,586,674	11,622,046	828,492	238,475	40,897,661
Total	<u>\$ 165,707,977</u>	<u>102,499,126</u>	<u>4,943,855</u>	<u>10,301,542</u>	<u>47,963,454</u>
Total number of students *	<u>13,096</u>				
Cost per student	<u>\$ 12,654</u>	<u>7,827</u>	<u>378</u>	<u>787</u>	<u>3,662</u>

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

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

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

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

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

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

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## OTHER INFORMATION

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**MADISON COUNTY SCHOOL DISTRICT**

**Other Information**

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

**General Fund**

**Last Four Years**

**UNAUDITED**

	2022	2021*	2020*	2019*
<b>Revenues:</b>				
Local sources	\$ 70,298,775	69,238,707	68,260,479	66,693,966
State sources	67,669,132	63,511,103	64,439,412	60,661,811
Federal sources	16,169	242,259	535,375	320,698
Sixteenth section sources	876,155	1,057,847	1,196,865	1,471,845
Total Revenues	138,860,231	134,049,916	134,432,131	129,148,320
<b>Expenditures:</b>				
Instruction	79,157,216	75,508,846	74,608,278	69,672,711
Support services	46,197,809	42,549,078	50,448,192	43,977,929
Noninstructional services	18		200	225
Sixteenth section	209,180	219,477	191,414	238,077
Facilities acquisition and construction	40,841		329,097	
Debt service:				
Principal	181,627			
Interest	23,633			1,172
Total Expenditures	125,810,324	118,277,401	125,577,181	113,890,114
Excess (Deficiency) of Revenues over (under) Expenditures	13,049,907	15,772,515	8,854,950	15,258,206
<b>Other Financing Sources (Uses):</b>				
Bonds and notes issued		1,274,132		
Inception of leases	64,086			
Insurance recovery	19,902	29,570	600	19,331
Sale of transportation equipment				13,961
Sale of other assets/property	33,629	2,146,790	281,298	9,880
Operating transfers in	334,097	386,437	157,809	306,451
Operating transfers out	(30,001,180)	(7,510,105)	(6,642,204)	(31,652,975)
Total Other Financing Sources (Uses)	(29,549,466)	(3,673,176)	(6,202,497)	(31,303,352)
Net Change in Fund Balances	(16,499,559)	12,099,339	2,652,453	(16,045,146)
<b>Fund Balances:</b>				
Beginning of period, as previously reported	49,834,917	37,735,578	34,707,545	50,723,381
Fund reclassification			371,785	
Prior period adjustment	(2,034)		3,795	29,310
Beginning of period, as restated	49,832,883	37,735,578	35,083,125	50,752,691
End of Period	\$ 33,333,324	\$ 49,834,917	\$ 37,735,578	\$ 34,707,545

\*SOURCE - PRIOR YEAR AUDIT REPORTS

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**MADISON COUNTY SCHOOL DISTRICT**

**Other Information**

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

**All Governmental Funds**

**Last Four Years**

**UNAUDITED**

	2022	2021*	2020*	2019*
<b>Revenues:</b>				
Local sources	\$ 81,405,993	80,428,889	80,553,620	79,547,900
State sources	69,260,152	66,236,117	67,095,122	63,354,771
Federal sources	18,540,133	16,459,550	8,752,621	8,711,043
Sixteenth section sources	820,452	1,094,650	1,286,604	1,631,379
Total Revenues	170,026,730	164,219,206	157,687,967	153,245,093
<b>Expenditures:</b>				
Instruction	89,504,502	88,080,145	82,455,527	77,510,129
Support services	51,481,604	47,764,443	54,409,405	48,800,000
Noninstructional services	7,795,250	5,417,558	4,744,420	5,163,080
Sixteenth section	231,344	237,007	218,065	251,374
Facilities acquisition and construction	5,128,387	8,597,672	5,373,027	3,202,019
Debt service:				
Principal	10,399,038	9,055,000	7,305,000	8,747,000
Interest	1,158,012	1,441,200	1,327,275	1,882,580
Other	9,840	13,847	147,447	10,340
Total Expenditures	165,707,977	160,606,872	155,980,166	145,566,522
Excess (Deficiency) of Revenues over (under) Expenditures	4,318,753	3,612,334	1,707,801	7,678,571
<b>Other Financing Sources (Uses):</b>				
Bonds and notes issued		1,524,480	13,180,000	
Insurance recovery	19,902	29,570	600	19,331
Inception of leases	64,086			
Payments held by escrow agent	236,427	235,837	235,250	234,662
Premiums on refunding bonds issued			1,147,571	
Payment to refunded bond escrow agent			(16,677,125)	
Payment to QSCB debt escrow agent	(236,427)	(235,837)	(235,250)	(234,662)
Sale of transportation equipment				13,961
Sale of other assets/property	33,691	2,146,790	281,298	9,880
Operating transfers in	30,335,277	7,896,542	6,800,013	34,443,015
Operating transfers out	(30,335,277)	(7,896,542)	(6,800,013)	(34,443,015)
Other financing uses		(481)		
Total Other Financing Sources (Uses)	117,679	3,700,359	(2,067,656)	43,172
Net Change in Fund Balances	4,436,432	7,312,693	(359,855)	7,721,743
<b>Fund Balances:</b>				
Beginning of period, as previously reported	83,312,531	76,069,881	75,931,055	68,198,602
Fund reclassification			371,785	
Prior period adjustments	(2,034)	4,000	2,783	71,612
Beginning of period, as restated	83,310,497	76,073,881	76,305,623	68,270,214
Increase (Decrease) in reserve for inventory	50,767	(74,043)	124,113	(60,902)
End of Period	\$ 87,797,696	\$ 83,312,531	\$ 76,069,881	\$ 75,931,055

\*SOURCE - PRIOR YEAR AUDIT REPORTS

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## REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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# SUZANNE E. SMITH, CPA, PLLC

## AUDITING AND ACCOUNTING SERVICES

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### 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, 2022, and the related notes to the financial statements, which collectively comprise Madison County School District's basic financial statements and have issued our report thereon dated March 15, 2023.

#### **Report on Internal Control over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or 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 or significant deficiencies may exist that were not identified.

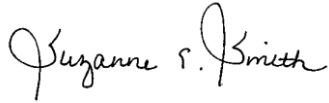
#### **Report on Compliance and Other Matters**

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

POST OFFICE BOX 1563  
STARKVILLE, MS 39760  
PHONE: 601-938-5717

**Purpose of this Report**

The purpose of this report is solely to described 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.

A handwritten signature in cursive script that reads "Suzanne E. Smith".

Suzanne E. Smith, CPA, PLLC  
Starkville, MS 39760

March 15, 2023

# SUZANNE E. SMITH, CPA, PLLC

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## AUDITING AND ACCOUNTING SERVICES

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### INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Superintendent and the School Board  
Madison County School District

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

##### ***Opinion on Each Major Federal Program***

We have audited Madison County School District's compliance with the types of compliance requirements identified as subject to audit 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, 2022. Madison County School District's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Madison County School District complied, in all material respects, with the 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, 2022.

##### ***Basis for Opinion on Each Major Federal Program***

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 of Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Madison County School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Madison County School District's compliance with the compliance requirements referred to above.

##### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Madison County School District's federal programs.

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### ***Auditor's Responsibilities for Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and to express an opinion on Madison County School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Madison County School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Madison County School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Madison County School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Madison County School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

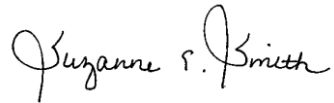
### **Report on Internal Control over Compliance**

*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 internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 purposes.

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

Suzanne E. Smith, CPA, PLLC  
Starkville, MS 39760

March 15, 2023

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

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# SUZANNE E. SMITH, CPA, PLLC

## AUDITING AND ACCOUNTING SERVICES

sesmithcpa@msn.com

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

Superintendent and School Board  
Madison County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Madison County School District as of and for the year ended June 30, 2022, which collectively comprise Madison County School District's basic financial statements and have issued our report thereon dated March 15, 2023. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance.

Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district." The results of our procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instance of noncompliance with other state laws and regulations. Our finding and recommendation and your response are as follows:

Finding SL2022-A. Reporting requirements for reemployment of Public Employees' Retirement System (PERS) retirees. Section 25-11-127 MS Code Ann. (1972) requires that for all PERS retirees hired as employees by the school district, the school district must file with PERS the required PERS Form 4B (Certification/Acknowledgment of Reemployment of Retiree) within five days of employment. In our testing, we noted where one PERS retiree was hired as a long-term substitute in October 2021. The PERS Form 4B was not filed until December 6, 2021.

**Recommendation:** We recommend that the district file the required form when a PERS retiree is reemployed by the school district.

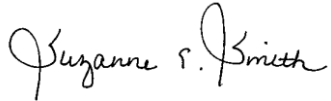
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STARKVILLE, MS 39760  
PHONE: 601-938-5717

Response: The district will file the required forms in the future when a PERS retiree is reemployed by the school district.

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

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

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

A handwritten signature in cursive script that reads "Suzanne E. Smith".

Suzanne E. Smith, CPA, PLLC  
Starkville, MS 39760

March 15, 2023

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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MADISON COUNTY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2022

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

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

7. Identification of major programs:

<u>Assistance Listing Numbers</u>	<u>Name of Federal Program or Cluster</u>
	Special Education Cluster:
84.027	Special Education - Grants to States
84.027X	COVID 19 – Special Education – Grants to States
84.173	Special Education – Preschool Grants
84.173X	COVID-19 – Special Education – Preschool Grants
84.425D	COVID 19 – Elementary & Secondary School Emergency Relief Fund I
84.425D	COVID 19 – Elementary & Secondary School Emergency Relief Fund II
84.425U	COVID 19 – Elementary & Secondary School Emergency Relief Fund ARP III
84.425C	COVID-19 – Educational Stabilization Fund (GEER)

8. Dollar threshold used to distinguish between type A and type B programs: \$750,000
  
9. Auditee qualified as low-risk auditee? (Yes/No) Yes
  
10. Prior fiscal year audit findings(s) and questioned costs which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2CFR 200.511(b). (Yes/No) No

MADISON COUNTY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2022

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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