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MADISON COUNTY SCHOOL DISTRICT  
Audited Financial Statements  
For the Year Ended June 30, 2005

MADISON COUNTY SCHOOL DISTRICT

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MADISON COUNTY SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

# COLLINS & CORBIN, LTD.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

Superintendent and School Board  
Madison County School District

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Madison County School District as of and for the year ended June 30, 2005, which collectively comprise the Madison County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Madison County School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Madison County School District, as of June 30, 2005, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2006, on our consideration of the Madison County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audit.

The Management's Discussion and Analysis on pages 7 through 15 and the Budgetary Comparison Schedule and corresponding notes on pages 46 through 47 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Collins & Cobbin, Ltd.*

November 22, 2006

MADISON COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Madison County School District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2005

The discussion and analysis of the Madison County School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2005. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

This discussion and analysis is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* issued June 1999. Certain comparative information between the current year and the prior year is required to be presented and is included in this discussion and analysis.

### FINANCIAL HIGHLIGHTS

- Total net assets increased \$11,134,687, which represents a 20% increase from fiscal year 2004. This increase is due primarily to the increase in capital assets during the fiscal year related to the purchase of land, the construction of new school facilities and the purchase of several items of mobile equipment and furniture and equipment.
- General revenues accounted for \$73,434,830 in revenue, or 88% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$9,608,729, or 12% of total revenues.
- The District had \$71,908,872 in expenses; only \$9,608,729 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$73,434,830 were adequate to provide for these programs.
- Among major funds, the General Fund had \$60,649,055 in revenues and \$55,466,044 in expenditures. After net other financing uses of \$5,169,993, the General Fund's fund balance increased \$13,018 from the prior year.
- Capital assets, net of accumulated depreciation, increased by \$8,966,843. This increase is due to the purchase of land, the construction of new school facilities and the purchase of several items of mobile equipment and furniture and equipment during the fiscal year.
- Long-term debt increased by \$33,399,334. During the fiscal year, the district issued general obligation refunding bonds to refund existing bonds and certificates of participation. The district also issued general obligation bonds and the proceeds will be used for the renovation and construction of school facilities.

Madison County School District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2005

## OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

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

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets 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 years.

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

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

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's current financing requirements. Governmental Funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash. The Governmental Funds Statements provide a detailed short-term view of the school district's operations.

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

Madison County School District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2005

the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation 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* issued by the Mississippi Office of the State Auditor. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

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

**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.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget process.

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and is included in this report as required supplementary information.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and is included in this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Net assets.** Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$65,566,441 as of June 30, 2005.

The district's net assets are comprised of 1) net assets invested in capital assets, net of related debt, 2) restricted net assets and 3) unrestricted net assets. \$25,224,163 of the District's net assets (38%) reflects its investment in capital assets (e.g., land, construction in progress, buildings, building improvements, improvements other than buildings, mobile equipment and furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending. \$27,693,558 of the District's net assets (42%) reflects its restricted net assets. A portion of the restricted net assets is expendable for school based activities, debt

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service, capital improvements, forestry improvements and unemployment benefits. The remaining portion of the restricted net assets is nonexpendable for 16<sup>th</sup> section investment purposes. \$12,648,720 of the District's net assets (20%) reflects its unrestricted net assets.

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.

The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2005 and comparative data for the fiscal year ended June 30, 2004.

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Current assets	\$ 78,330,843	\$ 46,809,742
Other assets	4,040,463	2,063,819
Capital assets, net	<u>116,073,325</u>	<u>107,106,482</u>
<b>Total assets</b>	<u>198,444,631</u>	<u>155,980,043</u>
Current liabilities	4,059,332	6,128,765
Long-term debt outstanding	<u>128,818,858</u>	<u>95,419,524</u>
<b>Total liabilities</b>	<u>132,878,190</u>	<u>101,548,289</u>
<b>Net assets:</b>		
Invested in capital assets, net of related debt	25,224,163	24,906,315
Restricted	27,693,558	13,357,553
Unrestricted	<u>12,648,720</u>	<u>16,167,886</u>
<b>Total net assets</b>	<u>\$ 65,566,441</u>	<u>\$ 54,431,754</u>

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

- Current assets increased from the previous fiscal year due primarily to an increase in cash and cash equivalents and investments. This increase is due to the proceeds of bonds received that were not expended at the close of the fiscal year.
- Other assets increased from the previous fiscal year due primarily to the increase in restricted assets and the reporting of a deferred charge related to bond issuance costs. Restricted assets for the fiscal year included cash and cash equivalents, cash with fiscal agents and investments reported in the 16<sup>th</sup> Section Principal Fund, Mississippi Adequate Education Program (MAEP) Fund and the Qualified Zone Academy Bond (QZAB) Fund.
- Capital assets increased from the previous fiscal year due primarily to the purchase of land, the construction of school facilities and the purchase of mobile equipment and furniture and equipment.
- Current liabilities decreased from the previous fiscal year due primarily to a decrease in accounts payable and accrued liabilities.

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- Long-term debt outstanding increased from the previous fiscal year due primarily to the issuance of general obligation bonds during the fiscal year. The proceeds will be used for the renovation and construction of school facilities.
- Restricted net assets increased from the previous fiscal year due primarily to an increase in amounts restricted for school based activities and capital improvements. The increase in amounts restricted for school based activities is related to the reporting of 16<sup>th</sup> Section Interest Funds as school based in the current year as compared to reporting as unrestricted in the previous fiscal year. The increase in amounts restricted for capital improvements is due primarily to the transfer of funds from the General Fund to a Capital Projects Fund to be used for the renovation and construction of school facilities.
- Unrestricted net assets decreased from the previous fiscal year due primarily to the reporting of 16<sup>th</sup> Section Interest Funds as school based in the current year as compared to reporting as unrestricted in the previous fiscal year.

**Changes in net assets.** The District's total revenues for the fiscal year ended June 30, 2005 were \$83,043,559. The total cost of all programs and services was \$71,908,872. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2005 and comparative data for the fiscal year ended June 30, 2004.

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
<b>Revenues:</b>		
Program revenues	\$ 9,608,729	\$ 8,978,914
General revenues	73,434,830	66,223,070
Special items	0	4,897,245
<b>Total revenues</b>	<u>83,043,559</u>	<u>80,099,229</u>
<b>Expenses:</b>		
Instruction	41,606,211	36,683,123
Support services	22,493,202	20,764,160
Non-instructional	3,384,547	2,812,357
Sixteenth section	123,696	125,357
Interest and other expenses on long-term liabilities	<u>4,301,216</u>	<u>4,556,335</u>
<b>Total expenses</b>	<u>71,908,872</u>	<u>64,941,332</u>
<b>Increase in net assets</b>	<u>\$11,134,687</u>	<u>\$15,157,897</u>

The following are significant current year transactions that have had an impact on the Statement of Activities:

- Program revenues increased from the previous fiscal year due to an increase in charges for services, primarily an increase in activity fund receipts and daily food sales.
- General revenues increased from the previous fiscal year due primarily to an increase in taxes and unrestricted state grants and contributions.

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- Instruction, support services and non-instructional expenses increased from the previous fiscal year due primarily to an increase in salaries and benefits related to the 8% teacher pay increase. Insurance costs and transportation costs also increased as compared to the previous fiscal year.

**Governmental activities.** The following table presents, for the fiscal year ended June 30, 2005, the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section and interest and other expenses on long-term debt. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and District's taxpayers by each of these functions.

	<u>2005</u>		<u>2004</u>	
	<u>Total Expenses</u>	<u>Net (Expense) Revenue</u>	<u>Total Expenses</u>	<u>Net (Expense) Revenue</u>
Instruction	\$41,606,211	\$(37,365,077)	\$36,683,123	\$(32,744,625)
Support services	22,493,202	(20,729,891)	20,764,160	(18,726,909)
Non-instructional	3,384,547	208,840	2,812,357	190,095
Sixteenth section	123,696	(112,799)	125,357	(124,644)
Interest on long-term liabilities	<u>4,301,216</u>	<u>(4,301,216)</u>	<u>4,556,335</u>	<u>(4,556,335)</u>
<b>Total expenses</b>	<u>\$71,908,872</u>	<u>\$(62,300,143)</u>	<u>\$64,941,332</u>	<u>\$(55,962,418)</u>

- The net cost of governmental activities for fiscal year 2005 in the amount of \$62,300,143 was financed by general revenue, which is made up of primarily property taxes of \$37,487,897 and state revenue of \$33,168,164.
- Investment earnings accounted for \$1,372,105 of funding.

**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, unreserved 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 fiscal year June 30, 2005, its governmental funds reported a combined fund balance of \$79,322,762. The net change in fund balance for the fiscal year was an increase of \$35,376,365, due primarily to proceeds received from the issuance of bonds that were not expended at the end of the fiscal year. \$28,614,045, or 36%, of the fund balance is reported by fund type in the unreserved, undesignated section of the Governmental Funds Balance Sheet. The portion of the fund balance reported in the General Fund is

Madison County School District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2005

available for spending at the District's discretion. The portion of the fund balance reported in the Special Revenue Funds will be used for school based activities. The portion of the fund balance reported in the Capital Projects Fund is a result of transfers from the General Fund to be used for the construction and renovation of school facilities. The remaining fund balance of \$50,708,717, or 64%, is reserved or designated to indicate that it is not available for spending because it has already been committed. This portion of the fund balance is reserved for advances, inventory, unemployment benefits, forestry improvements, capital project purposes, debt service purposes and permanent fund purposes.

The General Fund is the principal operating fund of the District. The net change in fund balance for the General Fund for the fiscal year was an increase of \$13,018. The net change in fund balance for the 2002 Capital Improvement Fund for the fiscal year was a decrease of \$3,427,363 due to expenditures incurred during the fiscal year related to the renovation and construction of school facilities. The net change in fund balance for the 2004 \$6M Construction Fund for the fiscal year was a decrease of \$4,042,009 due to expenditures incurred during the fiscal year related to the renovation and construction of school facilities. The net change in fund balance for the 2005 \$40M Construction Fund for the fiscal year was an increase of \$36,854,985 due to proceeds received from the issuance of bonds that were not expended at the end of the fiscal year. The net change in fund balance for the Other Governmental Funds for the fiscal year was an increase of \$5,977,734, due primarily to transfers from the General Fund to the 2005 General Fund Construction Fund to be used for the renovation and construction of school facilities. The increase is also a result of the excess of revenues over expenditures in various funds.

#### BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget. Significant budget revisions during the fiscal year are as follows:

- Budgeted amounts for revenue from local sources in the General Fund were increased \$933,918 during the fiscal year. Ad valorem receipts were \$435,144 more than originally budgeted due to growth in the tax base. The remaining increase in the budget is due to activity funds that are budgeted when received and not projected in the original budget.
- Budgeted amounts for revenue from state sources in the General Fund were increased \$580,824 during the fiscal year. \$483,940 of the increase is due to Mississippi Adequate Education Program (MAEP) funds received during the fiscal year for National Board Certified teachers. The remaining increase is due to an increase in homestead reimbursement, Drivers Education funds, revenue in lieu of taxes received during the fiscal year and Special Education funds not originally budgeted for Positive Behavior Specialists and Interpreters.

Madison County School District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2005

- Budgeted amounts for revenue from federal sources in the General Fund were increased \$239,893 during the fiscal year. This increase is a result of E-rate funds received during the fiscal year that were not originally budgeted. E-rate funds are applied for and then funded as funding becomes available. Therefore, the district does not budget these funds until received.
- Budgeted amounts for instruction expenditures in the General Fund were increased \$460,096 during the fiscal year. This increase is a result of student activity fund expenditures being budgeted as incurred and not projected at the beginning of the fiscal year.
- Budgeted amounts for support services expenditures in the General Fund were decreased \$1,292,666 during the fiscal year. The original budget included the funding of projects for the implementation of computers and technology in several new schools. However, these projects were not completed during the fiscal year.
- Budgeted amounts for facilities acquisition and construction expenditures in the General Fund were decreased \$1,342,012 during the fiscal year. Funds were actually transferred from the General Fund and recorded in Capital Project Funds during the fiscal year.
- Budgeted amounts for transfers out of the General Fund were increased \$4,260,206 during the fiscal year. Additional funds were set aside in December 2004 and transferred to a Capital Projects Fund to purchase land for new school sites and to plan for additional facility needs not included in the bond issue. Another transfer was made to a Capital Projects Fund for funds budgeted under facilities acquisition and construction expenditures in the General Fund but delayed to the next budget year.

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, 2005, the District's total capital assets, before depreciation, were \$142,612,946, including land, construction in progress, buildings, building improvements, improvements other than buildings, mobile equipment and furniture and equipment. This amount represents a gross increase of \$11,273,958 from the previous year. During the fiscal year, the district purchased land, completed construction projects and purchased several items of mobile equipment and furniture and equipment. Total depreciation expense for the year was \$2,579,560. Total accumulated depreciation as of June 30, 2005 was \$26,539,621, resulting in total net assets of \$116,073,325.

**Debt Administration.** At June 30, 2005, the District had \$128,818,858 in general obligation bonds and other long-term debt outstanding, of which \$8,040,754 is due within one year. During the fiscal year, the district issued general obligation refunding bonds to refund existing bonds and certificates of participation. The district also issued general obligation bonds and the proceeds will be used for the renovation and construction of school facilities.

Madison County School District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2005

**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 millage has not increased or decreased significantly over the past several years. The District's system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

Latest enrollment figures indicate that student enrollment in the District increased from 9,855 in fiscal year 2004 to 10,170 in fiscal year 2005, resulting in a total increase of 315 students, or a 3% increase. The student enrollment for fiscal year 2006 is currently 10,716, which is an increase of 546 students from fiscal year 2005, or a 5% increase. The budget for the next fiscal year has taken into account this increase in both funding and staffing needs.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report, contact the Superintendent's Office of the Madison County School District, P. O. Box 159, Flora, MS 39071.

MADISON COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS

Madison County School District  
Statement of Net Assets  
June 30, 2005

Exhibit A

Governmental  
Activities

ASSETS

Cash and cash equivalents	\$ 69,862,515
Cash with fiscal agent	9,950
Investments	5,396,649
Due from other governments	2,959,837
Other receivables, net	38,163
Inventories	63,729
Debt issuance costs, net	286,212
Restricted assets	3,754,251
Capital assets, net	116,073,325

Total Assets 198,444,631

LIABILITIES

Accounts payable and accrued liabilities	2,728,882
Due to other governments	33,450
Interest payable on long-term liabilities	1,297,000
Long-term liabilities, due within one year	
Capital related liabilities	8,025,000
Non-capital related liabilities	15,754
Long term liabilities, due beyond one year	
Capital related liabilities	120,400,000
Non-capital related liabilities	378,104

Total Liabilities 132,878,190

NET ASSETS

Investment in capital assets, net of related debt	25,224,163
Restricted net assets:	
Expendable:	
School-based activities	6,907,678
Debt service	9,853,666
Capital improvements	8,744,656
Forestry improvements	45,126
Unemployment benefits	169,592
Non-expendable:	
Sixteenth section	1,972,840
Unrestricted	12,648,720

Total Net Assets \$ 65,566,441

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

Madison County School District  
Statement of Activities  
For the Year Ended June 30, 2005

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 41,606,211	\$ 1,009,374	\$ 3,231,760	-	\$(37,365,077)
Support services	22,493,202	-	1,763,311	-	(20,729,891)
Non-instructional	3,384,547	1,805,609	1,787,778	-	208,840
Sixteenth section	123,696	10,897	-	-	(112,799)
Interest on long-term liabilities	4,301,216	-	-	-	(4,301,216)
Total Governmental Activities	<u>\$ 71,908,872</u>	<u>\$ 2,825,880</u>	<u>\$ 6,782,849</u>	<u>-</u>	<u>(62,300,143)</u>
General revenues:					
Taxes:					
General purpose levies					26,502,039
Debt purpose levies					10,985,858
Unrestricted grants and contributions					
State					33,168,164
Federal					239,894
Unrestricted investment earnings					1,372,105
Sixteenth section sources					644,606
Other					522,164
Total general revenues					<u>73,434,830</u>
Change in net assets					11,134,687
Net assets - beginning					<u>54,431,754</u>
Net assets - ending					<u>\$ 65,566,441</u>

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

Madison County School District  
 Balance Sheet - Governmental Funds  
 June 30, 2005

Exhibit C

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	2002 Capital Improvement Fund	2004 \$6M Construction Fund	2005 \$40M Construction Fund		
<b>ASSETS</b>						
Cash and cash equivalents	\$ 9,181,617	\$ 4,816,156	\$ 769,855	\$ 37,998,686	\$ 18,060,750	\$ 70,827,064
Cash with fiscal agent	-	-	-	-	919,131	919,131
Investments	2,032,834	-	-	-	5,244,336	7,277,170
Due from other governments	977,645	-	-	-	1,771,419	2,749,064
Other receivables, net	12,263	-	-	-	25,900	38,163
Due from other funds	1,109,906	-	-	-	18,728	1,128,634
Advances to other funds	-	-	-	-	77,397	77,397
Inventories	-	-	-	-	63,729	63,729
<b>Total assets</b>	<b>\$ 13,314,265</b>	<b>\$ 4,816,156</b>	<b>\$ 769,855</b>	<b>\$ 37,998,686</b>	<b>\$ 26,181,390</b>	<b>\$ 83,080,352</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	\$ 142,869	\$ 609,058	\$ 769,855	\$ 1,143,701	\$ 63,399	\$ 2,728,882
Due to other funds	51,421	-	-	-	899,890	951,311
Advances from other funds	77,397	-	-	-	-	77,397
<b>Total liabilities</b>	<b>271,687</b>	<b>609,058</b>	<b>769,855</b>	<b>1,143,701</b>	<b>963,289</b>	<b>3,757,590</b>
<b>Fund balances:</b>						
<b>Reserved for:</b>						
Advances	-	-	-	-	77,397	77,397
Inventory	-	-	-	-	63,729	63,729
Unemployment benefits	-	-	-	-	169,592	169,592
Forestry improvements	-	-	-	-	45,126	45,126
Capital project purposes	-	-	-	36,854,985	737,991	37,592,976
Debt service purposes	-	-	-	-	10,864,454	10,864,454
Permanent fund purposes	-	-	-	-	1,895,443	1,895,443
<b>Unreserved</b>						
<b>Undesignated, reported in:</b>						
General fund	13,042,578	-	-	-	-	13,042,578
Special revenue funds	-	-	-	-	6,843,949	6,843,949
Capital projects funds	-	4,207,098	-	-	4,520,420	8,727,518
<b>Total fund balances</b>	<b>13,042,578</b>	<b>4,207,098</b>	<b>-</b>	<b>36,854,985</b>	<b>25,218,101</b>	<b>79,322,762</b>
<b>Total liabilities &amp; fund balances</b>	<b>\$ 13,314,265</b>	<b>\$ 4,816,156</b>	<b>\$ 769,855</b>	<b>\$ 37,998,686</b>	<b>\$ 26,181,390</b>	<b>\$ 83,080,352</b>

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

Madison County School District  
 Reconciliation of the Governmental Funds Balance  
 Sheet to the Statement of Net Assets  
 June 30, 2005

Exhibit C-1

Amounts

Total Fund Balance - Governmental Funds		\$ 79,322,762
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds.		
Capital assets	\$ 142,612,946	
Less accumulated depreciation	<u>(26,539,621)</u>	116,073,325
2. Governmental funds report the effect of bond issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.		286,212
3. Long-term liabilities and accrued interest payable are not due and payable in the current period and therefore are not reported in the funds.		
Long - term liabilities	(128,818,858)	
Accrued interest on debt	<u>(1,297,000)</u>	(130,115,858)
Total Net Assets - Governmental Activities		<u>\$ 65,566,441</u>

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

Madison County School District  
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds  
For the Year Ended June 30, 2005

Exhibit D

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	2002 Capital Improvement Fund	2004 \$6M Construction Fund	2005 \$40M Construction Fund		
<b>REVENUES</b>						
Local sources	\$ 28,055,329	\$ 275,138	\$ 66,717	\$ 239,626	\$ 13,306,409	\$ 41,943,219
State sources	32,353,833	-	-	-	2,172,830	34,526,663
Federal sources	239,893	-	-	-	5,424,351	5,664,244
Sixteenth section sources	-	-	-	-	829,274	829,274
<b>Total revenues</b>	<b>60,649,055</b>	<b>275,138</b>	<b>66,717</b>	<b>239,626</b>	<b>21,732,864</b>	<b>82,963,400</b>
<b>EXPENDITURES</b>						
Instruction	35,277,687	-	90,844	-	3,921,301	39,289,832
Support services	19,816,783	24,733	70,704	338,321	2,159,383	22,409,924
Noninstructional services	8,400	-	48,336	-	3,358,517	3,415,253
Sixteenth section	-	-	-	-	123,696	123,696
Facilities acquisition and construction	359,630	3,677,768	3,877,043	3,112,555	302,178	11,329,174
Debt service:						
Principal	-	-	-	-	7,265,000	7,265,000
Interest	3,544	-	-	-	4,171,346	4,174,890
Debt issuance costs	-	-	21,799	-	363,217	385,016
Other	-	-	-	-	19,343	19,343
<b>Total expenditures</b>	<b>55,466,044</b>	<b>3,702,501</b>	<b>4,108,726</b>	<b>3,450,876</b>	<b>21,683,981</b>	<b>89,412,128</b>
Excess (deficiency) of revenues over expenditures	5,183,011	(3,427,363)	(4,042,009)	(3,211,250)	48,883	(5,448,728)
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds of general obligation bonds	-	-	-	40,000,000	-	40,000,000
Proceeds of refunding bonds	-	-	-	-	28,595,000	28,595,000
Premium on debt issuance	-	-	-	378,042	1,686,329	2,064,371
Insurance loss recoveries	61,233	-	-	-	-	61,233
Other financing sources	34,625	-	-	-	6,757	41,382
Transfers in	337,295	-	-	-	6,646,828	6,984,123
Transfers out	(5,603,146)	-	-	(311,807)	(1,069,170)	(6,984,123)
Payment to refunded bond escrow agent	-	-	-	-	(29,936,011)	(29,936,011)
Other financing uses	-	-	-	-	(882)	(882)
<b>Total other financing sources (uses)</b>	<b>(5,169,993)</b>	<b>-</b>	<b>-</b>	<b>40,066,235</b>	<b>5,928,851</b>	<b>40,825,093</b>
<b>Net change in fund balances</b>	<b>13,018</b>	<b>(3,427,363)</b>	<b>(4,042,009)</b>	<b>36,854,985</b>	<b>5,977,734</b>	<b>35,376,365</b>
<b>Fund balances:</b>						
July 1, 2004,	13,029,560	7,634,461	4,042,009	-	19,228,783	43,934,813
Increase in reserve for inventory	-	-	-	-	11,584	11,584
<b>June 30, 2005</b>	<b>\$ 13,042,578</b>	<b>\$ 4,207,098</b>	<b>\$ -</b>	<b>\$ 36,854,985</b>	<b>\$ 25,218,101</b>	<b>\$ 79,322,762</b>

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

Madison County School District  
 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, 2005

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ 35,376,365
Amounts reported for governmental activities in the Statement of Activities are different because:	
1. Capital outlays are reported as expenditures in governmental funds but are not reported as expenses in the Statement of Activities. Instead, costs associated with capital assets are capitalized in the Statement of Net Assets.	11,599,501
2. Depreciation is not an expenditure in governmental funds but is an expense of allocating the cost of capital assets over their useful lives in the Statement of Activities.	(2,579,560)
3. In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in governmental funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
Proceeds from the sale of capital assets	(41,382)
Gain on the sale of capital assets	18,926
Loss on the sale of capital assets	(30,642)
4. The issuance of long-term debt provides current financial resources to governmental funds, but the issuance increases long-term liabilities in the Statement of Net Assets.	(68,595,000)
5. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	7,265,000
6. The refunding of debt is reported as a reduction of current financial resources in the governmental funds, but the refunding decreases long-term liabilities in the Statement of Net Assets.	27,950,000
7. Governmental funds report the effect of bond issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	286,212
8. Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
Increases in compensated absences payable	(19,334)
Increases in accrued interest on debt	(106,983)
9. A change in the reserve for inventory is reported as a direct change to the fund balance in the governmental funds but is a component of non-instructional expenses in the Statement of Activities	11,584
Change in Net Assets of Governmental Activities	<u>\$ 11,134,687</u>

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

Madison County School District  
Statement of Fiduciary Net Assets  
June 30, 2005

Exhibit E

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 3,368,592
Due from other funds	<u>33,450</u>
Total Assets	<u><u>\$ 3,402,042</u></u>
LIABILITIES	
Accounts payable and accrued liabilities	\$ 2,832,093
Due to other funds	210,773
Due to student clubs	<u>359,176</u>
Total Liabilities	<u><u>\$ 3,402,042</u></u>

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

MADISON COUNTY SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2005

(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.

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the school district's governing board. As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five member board of which each member was elected by the citizens of each defined county district.

The Madison County Schools Improvement Authority ("the Authority") as explained in the following paragraph is considered to be a blended component unit as determined by Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* and is included in the district's reporting entity.

The Authority is governed by a board which was appointed by the school district's governing board. Although it is legally separate from the school district, it is reported as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all of the Authority's assets, liabilities, equity, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the school district.

B. Basis of Presentation.

The school district's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

*Government-wide Financial Statements:*

The Statement of Net Assets and Statement of Activities display information about the school district as a whole. They include all funds of the reporting entity except for fiduciary funds, if applicable. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues.

MADISON COUNTY SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2005

The Statement of Net Assets presents the financial condition of the governmental activities of the school district at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the school district's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the school district, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the school district.

*Fund Financial Statements:*

Fund financial statements of the school district are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category.

C. Measurement Focus and Basis of Accounting.

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting as are the Fiduciary Fund Financial Statements. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Program revenues on the Statement of Activities consist primarily of state appropriations and federal awards.

MADISON COUNTY SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2005

In the fund financial statements, governmental funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Property taxes, state appropriations and federal awards associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. It accounts for all financial resources of the school district, except those required to be accounted for in another fund.

2002 Capital Improvement Fund - This fund accounts for funds transferred from the General Fund to be used for the acquisition, construction or renovation of major capital facilities.

2004 \$6M Construction Fund - This fund accounts for proceeds from the issuance of debt to be used for the acquisition or construction of major capital facilities.

2005 \$40M Construction Fund - This fund accounts for proceeds from the issuance of debt to be used for the acquisition or construction of major capital facilities.

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted for specific expenditure purposes.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

MADISON COUNTY SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2005

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

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

FIDUCIARY FUNDS

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

D. Account Classifications.

The account classifications used in the financial statements conform to the classifications prescribed in the *Financial Accounting Manual for Mississippi Public School Districts* issued by the Office of the State Auditor. The classifications in that manual are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 1990* issued by the U.S. Department of Education.

E. Encumbrances.

An encumbrance system is not maintained to account for commitments resulting from approved purchase orders, work orders and contracts.

F. Cash and Cash Equivalents.

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.

Cash and cash equivalents consists of amounts on deposit in demand accounts and certificates of deposit with maturities of 12 months or less. Cash and cash equivalents are valued at cost.

G. 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.

MADISON COUNTY SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2005

For accounting purposes, certificates of deposit are classified as investments if they have a maturity greater than 12 months when acquired.

Investments are reported at fair value.

H. Inventories and Prepaid Items.

Donated commodities are received from the USDA and are valued at USDA cost. Other inventories are valued at cost (calculated on the first-in, first-out basis).

The costs of governmental fund type inventories are reported as expenditures when purchased.

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

I. Capital Assets.

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

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are reported in the government-wide statements. Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details those thresholds.

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

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

MADISON COUNTY SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2005

J. Long-term liabilities.

Long-term liabilities are the unmatured principal of bonds, warrants, notes, or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. In the government-wide Statement of Net Assets, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column. See note 6 for details.

K. Interfund Transactions and Balances.

Interfund transactions and balances are the result of timing differences between the date expenses/expenditures occur and the date payments are made.

Short-term (due within one year) interfund loan receivables are reported as "due from other funds" and are considered available expendable resources. Noncurrent portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 4 for details for interfund transactions, including receivables and payables at year-end.

L. Equity Classifications.

*Government-wide Financial Statements:*

Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

MADISON COUNTY SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2005

2. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

*Fund Financial Statements:*

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved classified as designated and undesignated.

Fund reserves are portions of fund equity that are legally segregated for a specific future use or are not available for current operations. Following is a description of fund reserves used by the district:

Reserved for advances - An account used to offset advances recorded in the asset accounts since they do not constitute available spendable resources even though they are a component of net current assets.

Reserved for inventory - An account that represents a portion of the fund balance which indicates that inventories do not represent available spendable resources even though they are a component of net current assets.

Reserved for unemployment benefits - An account that represents the fund balance of the unemployment compensation revolving fund which is legally restricted for the payment of unemployment benefits.

Reserved for forestry improvements - An account that represents the fund balance of the sixteenth section forestry escrow fund which is legally restricted for improvements to sixteenth section forest lands.

Reserved for capital project purposes - An account that represents that portion of fund balance in the capital projects fund which is legally restricted and not available for spending for any other purpose than that for which it is restricted.

MADISON COUNTY SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2005

Reserved for debt service purposes - An account that represents a portion of fund balance which indicates that debt service money does not represent available spendable resources even though they are a component of net current assets.

Reserved for permanent fund purposes - An account that represents the portion of the fund balance of the sixteenth section principal fund which is legally restricted for investment purposes.

M. Property Taxes.

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.

N. Mississippi Adequate Education Program Revenues.

Revenues from the 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.

O. Compensated Absences.

Employees of the school district accumulate sick leave at a minimum amount as required by state law or at a greater amount provided by school district policy. 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 long-term liabilities 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 compensated absence liability payable from expendable available financial resources only if the payable has matured, for example an employee retires.

MADISON COUNTY SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2005

(2) Changes in Accounting Standards

As required, the school district has implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures - an amendment of GASB Statement No. 3* for the current fiscal year. This Statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Appropriate note disclosures have been incorporated to comply with the requirements of this standard.

(3) Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments.

Cash and Cash Equivalents.

The collateral for public entities' 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 Depository Insurance Corporation.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$70,827,064 and \$3,368,592, respectively. The bank balance as of June 30, 2005 was \$81,572,407. The carrying amount of deposits reported in the 16<sup>th</sup> Section Principal Funds, the 1998 MAEP Bonded Debt Fund and the QZAB Three Mill Note Repayment Fund are legally restricted and may not be used for purposes that support the district's programs. Therefore, the carrying amount of deposits in these funds of \$964,549 is included in Restricted Assets in the government-wide statements.

Custodial Credit Risk - Deposits

Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the school district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The school district does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the school district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the school district.

MADISON COUNTY SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2005

Cash with Fiscal Agents.

The carrying amount of the school district's cash with fiscal agents held by financial institutions reported in the governmental funds was \$919,131. The cash with fiscal agents reported in the 1998 MAEP Bonded Debt Fund and the QZAB Three Mill Note Repayment Fund is legally restricted and may not be used for purposes that support the district's programs. Therefore, the carrying amount of cash with fiscal agents in these funds of \$909,181 is included in Restricted Assets in the government-wide statements.

Investments.

As of June 30, 2005, the school district had the following investments in its internal investment pool.

<u>Investment Type</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
Mississippi EdPool	1 to 5	\$6,900,157
Money Market Fund	Less than 1	264,140
Certificates of Deposit	Less than 1	<u>112,873</u>
		<u>\$7,277,170</u>

Investments reported in the 16<sup>th</sup> Section Principal Funds are legally restricted and may not be used for purposes that support the school district's programs. Therefore, the carrying amount of investments in these funds of \$1,880,521 is included in Restricted Assets in the government-wide statements.

Interest Rate Risk

The school 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 school district does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk. The school district's investment in a money market fund was rated AAAm by Standard & Poor's, Aaa by Moody's Investors Service and AAA by Fitch Ratings. The school district's investment in the Mississippi EdPool is not rated.

MADISON COUNTY SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2005

Custodial Credit Risk - Investments

Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the school 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 school district does not have a formal investment policy that addresses custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the school district for investments in certificates of deposit. Investments 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 school district. The school district's investments in the Mississippi EdPool and a money market fund are not exposed to custodial credit risk.

(4) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

	<u>Due From</u>	<u>Due To</u>
Major funds:		
General fund	\$1,109,906	\$ 51,421
Other governmental funds	18,728	899,890
Fiduciary funds	33,450	210,773
Total	<u>\$1,162,084</u>	<u>\$1,162,084</u>

B. Advances To/From Other Funds:

	<u>Advances To</u>	<u>Advances From</u>
Major funds:		
General fund	-	\$77,397
Other governmental funds	\$77,397	-
Total	<u>\$77,397</u>	<u>\$77,397</u>

MADISON COUNTY SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2005

The sixteenth section principal loans payable is not reflected on the Statement of Net Assets because these funds were borrowed by the General Fund from the Sixteenth Section Trust Fund (Permanent Trust) in accordance with Section 29-3-113, Miss. Code Ann. (1972). The revenues and expenditures associated with these transactions were reflected on Exhibit D-1.

Sixteenth section principal loans payable.

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

Year Ending June 30	Principal	Interest	Total
2006	\$11,669	\$ 3,095	\$14,764
2007	12,135	2,629	14,764
2008	12,621	2,143	14,764
2009	13,125	1,639	14,764
2010	13,650	1,114	14,764
2011	14,197	567	14,764
Total	<u>\$77,397</u>	<u>\$11,187</u>	<u>\$88,584</u>

C. Transfers In/Out.

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General Fund	\$ 337,295	\$5,603,146
2005 \$40M Construction Fund	-	311,807
Other Governmental Funds	6,646,828	1,069,170
Total	<u>\$6,984,123</u>	<u>\$6,984,123</u>

MADISON COUNTY SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2005

(5) Capital Assets.

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

	Balance 7-1-2004	Additions	Retirements	Completed Construction	Adjustments	Balance 6-30-2005
<u>Non-depreciable capital assets:</u>						
Land	\$ 4,737,274	\$ 905,326	-	-	-	\$ 5,642,600
Construction in progress	21,121,773	10,423,848	-	\$(22,394,016)	-	9,151,605
Total non-depreciable capital assets	25,859,047	11,329,174	-	(22,394,016)	-	14,794,205
<u>Depreciable capital assets:</u>						
Buildings	97,462,709	-	\$103,104	22,394,016	-	119,753,621
Building improvements	49,724	-	-	-	-	49,724
Improvements other than buildings	2,840,703	-	50,000	-	-	2,790,703
Mobile equipment	2,638,582	22,999	53,295	-	-	2,608,286
Furniture and equipment	2,488,223	247,328	119,144	-	-	2,616,407
Total depreciable capital assets	105,479,941	270,327	325,543	22,394,016	-	127,818,741
<u>Less accumulated depreciation for:</u>						
Buildings	19,443,968	2,124,601	82,483	-	-	21,486,086
Building improvements	17,900	1,990	-	-	-	19,890
Improvements other than buildings	932,793	111,628	40,000	-	-	1,004,421
Mobile equipment	2,164,781	95,240	40,083	-	-	2,219,938
Furniture and equipment	1,673,064	246,101	109,879	-	-	1,809,286
Total accumulated depreciation	24,232,506	2,579,560	272,445	-	-	26,539,621
Total depreciable capital assets, net	81,247,435	(2,309,233)	53,098	22,394,016	-	101,279,120
Governmental activities capital assets, net	\$107,106,482	\$ 9,019,941	\$ 53,098	\$ -	\$ -	\$116,073,325

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$2,298,983
Support services	151,274
Non-instructional	129,303
Total depreciation expense	\$2,579,560

MADISON COUNTY SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2005

Commitments under construction contracts at June 30, 2005, are summarized as follows:

	Remaining Commitment	Required Future Financing
Madison Station School	\$ 148,998	-
Rosa Scott School	166,075	-
Northeast Madison Elementary School	1,045,989	-
Ridgeland High School	1,222,276	-
Gluckstadt Elementary and Middle Schools	981,445	-
Madison Central High School track	269,127	-
	<hr/>	<hr/>
Total	<u>\$3,833,910</u>	<u>-</u>

(6) Long-term liabilities.

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

	Balance 7-1-2004	Additions	Reductions	Adjustments	Balance 6-30-2005	Amounts due Within one year
A. General obligation bonds payable	\$64,470,000	\$68,595,000	\$4,715,000	\$(25,595,000)	\$102,755,000	\$6,595,000
B. Limited obligation bonds payable	9,835,000	-	470,000	-	9,365,000	495,000
C. Certificates of participation payable	2,625,000	-	270,000	(2,355,000)	-	-
D. Three mill notes payable	16,115,000	-	1,810,000	-	14,305,000	935,000
E. Qualified zone academy bonds payable	2,000,000	-	-	-	2,000,000	-
F. Compensated absences payable	374,524	19,334	-	-	393,858	15,754
Total	<u>\$95,419,524</u>	<u>\$68,614,334</u>	<u>\$7,265,000</u>	<u>\$(27,950,000)</u>	<u>\$128,818,858</u>	<u>\$8,040,754</u>

Adjustments were needed to reflect the issuance of general obligation refunding bonds for the purpose of refunding a portion of the callable maturities of the school district's general obligation school improvement bonds, Series 2000 in the amount of \$25,595,000 and the callable maturities of the Series 1997-A and Series 1997-B refunding issues in the amount of \$1,280,000 and \$1,075,000, respectively.

MADISON COUNTY SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2005

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
General obligation bonds, Series 2005	Varies	04-15-05	04-15-25	\$ 40,000,000	\$ 40,000,000
General obligation refunding bonds, Series 2005-A	Varies	04-11-05	09-01-19	26,190,000	26,190,000
General obligation refunding bonds, Series 2005-B	Varies	04-11-05	03-01-10	1,305,000	1,305,000
General obligation refunding bonds, Series 2005-C	Varies	04-11-05	02-01-10	1,100,000	1,100,000
General obligation refunding bonds, Series 2004	Varies	5-27-04	06-01-08	5,135,000	3,840,000
General obligation refunding bonds, Series 2002	Varies	11-01-02	12-01-13	10,850,000	9,785,000
General obligation bonds, Series 2001	Varies	06-01-01	09-01-18	16,840,000	12,590,000
General obligation bonds, Series 2000	Varies	09-01-00	09-01-09	38,160,000	7,945,000
Total				<u>\$139,580,000</u>	<u>\$102,755,000</u>

MADISON COUNTY SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2005

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

Year Ending	Principal	Interest	Total
June 30			
2006	\$ 6,595,000	\$ 4,282,158	\$ 10,877,158
2007	6,835,000	4,084,208	10,919,208
2008	7,325,000	3,816,412	11,141,412
2009	6,760,000	3,521,050	10,281,050
2010	8,500,000	3,214,913	11,714,913
2011 - 2015	29,275,000	11,597,206	40,872,206
2016 - 2020	23,625,000	6,258,762	29,883,762
2021 - 2025	13,840,000	2,011,613	15,851,613
Total	<u>\$102,755,000</u>	<u>\$38,786,322</u>	<u>\$141,541,322</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by state statute. 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 state statutes, have been met. As of June 30, 2005, the amount of outstanding bonded indebtedness was equal to 14% of property assessments as of October 1, 2004. This debt will be retired from the 2005 General Obligation Bond \$40M Fund, 2005-A Refunding 2000 General Obligation Bond Fund, 2005-B Refunding 1997-A Fund, 2005-C Refunding 1997-B Fund, 2004 General Obligation Refunding Bond Fund, 2002 General Obligation Refunding Bond Fund, 2001 \$16.84M Bond Fund and the 2000 \$38.16M Bond Fund.

Advance Refunding.

On March 16, 2005, the district issued \$28,595,000 in general obligation refunding bonds with an average interest rate of 3.4 percent to advance refund \$25,595,000 of outstanding general obligation bonds with an average interest rate of 5.4 percent and \$2,355,000 of certificates of participation with an average interest rate of 4.8 percent. Funds totaling \$29,936,011, after payments of \$345,318 for issuance costs and other related expenses, were deposited in an irrevocable trust with an escrow agent to provide for all future debt payment requirements on the general obligation bonds and certificates of participation.

MADISON COUNTY SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2005

As a result, the general obligation bonds and certificates of participation are considered to be defeased and the liability for those bonds and certificates has been removed from long-term liabilities.

The district advance refunded the general obligation bonds and certificates of participation to reduce its total debt service payments over the remaining fifteen years of the debt by approximately \$4,243,589 and to obtain an economic gain of \$1,883,094.

B. Limited obligation bonds payable.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement bonds, Series 1998	Varies	06-01-98	02-01-18	\$10,625,000	\$9,365,000

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

Year Ending	Principal	Interest	Total
June 30			
2006	\$ 495,000	\$ 476,411	\$ 971,411
2007	515,000	441,692	956,692
2008	545,000	405,936	950,936
2009	570,000	373,918	943,918
2010	600,000	345,252	945,252
2011 - 2015	3,475,000	1,240,991	4,715,991
2016 - 2018	3,165,000	290,000	3,455,000
Total	\$9,365,000	\$3,574,200	\$12,939,200

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi pursuant to the Mississippi Accountability and Adequate Education Program Act, Sections 37-151-1 through 37-151-7, Miss. Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of the debt limit percentage. This debt will be retired from the 1998 MAEP Bonded Debt Fund.

MADISON COUNTY SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2005

C. Certificates of participation payable.

Certificates of participation were issued by the school district in a previous fiscal year. General obligation refunding bonds were issued during the current fiscal year for the purpose of refunding the callable maturities of the Series 1997-A and Series 1997-B refunding issues in the amount of \$1,280,000 and \$1,075,000, respectively.

D. Three mill notes payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax notes, Series 2004	Varies	05-27-04	06-01-14	\$ 6,000,000	\$ 5,240,000
Limited tax notes, Series 2002	Varies	11-01-02	06-01-16	12,000,000	9,065,000
Total				<u>\$18,000,000</u>	<u>\$14,305,000</u>

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

Year Ending June 30	Principal	Interest	Total
2006	\$ 935,000	\$ 550,003	\$ 1,485,003
2007	1,105,000	527,052	1,632,052
2008	1,140,000	493,903	1,633,903
2009	1,225,000	459,102	1,684,102
2010	1,440,000	407,902	1,847,902
2011 - 2015	7,355,000	1,195,063	8,550,063
2016 - 2020	1,105,000	55,250	1,160,250
Total	<u>\$14,305,000</u>	<u>\$3,688,275</u>	<u>\$17,993,275</u>

This debt will be retired from the 2004 Limited Tax Note \$6M Fund, 2002 Refunding Notes Fund and the 2002 Three Mill Notes Fund.

MADISON COUNTY SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2005

E. Qualified zone academy bonds payable.

As more fully explained in Note 11, debt has been issued by the school district that qualifies as Qualified Zone Academy bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
\$2,000,000 limited note	0%	07-20-00	07-01-10	<u>\$2,000,000</u>	<u>\$2,000,000</u>

F. Compensated absences payable.

As more fully explained in Note 1(O), 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.

(7) Defined Benefit Pension Plan.

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2005, 2004 and 2003 were \$3,675,882, \$3,302,931 and \$2,809,607, respectively, which equaled the required contributions for each year.

(8) Other Commitments.

Commitments under construction contracts are described in Note 5.

Commitments under re-roofing and renovation contracts amount to \$1,991,425.

MADISON COUNTY SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2005

Operating leases:

The school district has several operating leases for copiers.

Lease expenditures for the year ended June 30, 2005, amounted to \$153,799. Future lease payments for these leases are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2006	\$104,295
2007	42,564
2008	35,014
2009	14,148
2010	5,406
Total	<u>\$201,427</u>

Contracts:

The school district entered into a contract with First Student, Inc. to provide transportation services through June 30, 2009. The contract is based on an estimated school year comprised of a minimum 180 days and 113 routes per day using various rates as stated in the contract based on the type and length of the routes. Transportation expenditures for student transportation for the year ended June 30, 2005 totaled \$3,706,850. Minimum future payments to be made under the contract are estimated as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2006	\$ 3,808,000
2007	3,884,000
2008	3,961,000
2009	4,041,000
Total	<u>\$15,694,000</u>

MADISON COUNTY SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2005

(9) Sixteenth Section Lands.

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

Year Ending June 30	Amount
2006	\$ 448,608
2007	438,786
2008	398,428
2009	304,441
2010	305,505
Thereafter	9,869,957
Total	<u><u>\$11,765,725</u></u>

(10) 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. Except as described below, 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.

MADISON COUNTY SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2005

Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 117 school districts and covers risks of loss arising from injuries to the school district's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by BancorpSouth Bank in Jackson. The funds in the trust account are used to pay any claim up to \$400,000. For a claim exceeding \$400,000, MSBAWCT has insurance which will pay the excess up to \$25,000,000. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

(11) Qualified Zone Academy Bonds.

Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34) provides for a source of capital at no or nominal interest rates for costs incurred by certain public schools in connection with the establishment of special academic programs from kindergarten through secondary school, in partnership with the business community. The school district, in agreement with Duncan Williams, Inc., has entered into such an arrangement dated July 20, 2000.

This agreement establishes a method of repayment for a qualified interest-free debt instrument. The agreement requires the school district to deposit funds annually into a sinking fund account on or before July 1. The amount accumulated in the sinking fund at the end of the ten-year period will be sufficient to retire the debt. The following schedule reports the yearly deposits to be made to the sinking fund by the school district.

Year Ending	Amount
June 30	
2006	\$360,000
2007	220,000
2008	220,000
2009	165,000
Total	<u>\$965,000</u>

MADISON COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

Madison County School District  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended June 30, 2005

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
<b>REVENUES</b>					
Local sources	\$ 27,114,034	\$ 28,047,952	\$28,055,329	\$ 933,918	\$ 7,377
State sources	31,773,009	32,353,833	32,353,833	580,824	-
Federal sources	-	239,893	239,893	239,893	-
Total revenues	<u>58,887,043</u>	<u>60,641,678</u>	<u>60,649,055</u>	<u>1,754,635</u>	<u>7,377</u>
<b>EXPENDITURES</b>					
Instruction	34,817,591	35,277,687	35,277,687	(460,096)	-
Support services	21,107,491	19,814,825	19,816,783	1,292,666	(1,958)
Noninstructional services	-	-	8,400	-	(8,400)
Facilities acquisition and construction	1,712,000	369,988	359,630	1,342,012	10,358
Debt service:					
Principal	11,220	-	-	11,220	-
Interest	3,544	3,544	3,544	-	-
Total expenditures	<u>57,651,846</u>	<u>55,466,044</u>	<u>55,466,044</u>	<u>2,185,802</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>1,235,197</u>	<u>5,175,634</u>	<u>5,183,011</u>	<u>3,940,437</u>	<u>7,377</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Insurance loss recoveries	-	61,233	61,233	61,233	-
Transfers in	2,304,761	2,521,230	337,295	216,469	(2,183,935)
Transfers out	(3,526,115)	(7,786,321)	(5,603,146)	(4,260,206)	2,183,175
Other financing sources	-	34,625	34,625	34,625	-
Total other financing sources and uses	<u>(1,221,354)</u>	<u>(5,169,233)</u>	<u>(5,169,993)</u>	<u>(3,947,879)</u>	<u>(760)</u>
Net change in fund balances	<u>\$ 13,843</u>	<u>\$ 6,401</u>	13,018	<u>\$ (7,442)</u>	<u>\$ 6,617</u>
Fund balances:					
July 1, 2004, as previously reported			<u>13,029,560</u>		
June 30, 2005			<u>\$13,042,578</u>		

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

MADISON COUNTY SCHOOL DISTRICT

Notes to the Required Supplementary Information  
For the Year Ended June 30, 2005

Notes to the Required Supplementary Information

(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 the date established by the Mississippi Department of Education. A budgetary comparison is presented for the General Fund consistent with accounting principles generally accepted in the United States of America.

MADISON COUNTY SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

MADISON COUNTY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2005

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Non-cash assistance:		
Food donation	10.550	\$ 252,410
Child nutrition cluster:		
School breakfast program	10.553	275,390
National school lunch program	10.555	1,208,922
Total		<u>1,484,312</u>
Fresh fruit and vegetable program	10.582	<u>40,628</u>
Total U.S. Department of Agriculture		<u>1,777,350</u>
<u>U.S. Department of Defense</u>		
Direct Program:		
Reserve Officers' Training Corps	12.XXX	<u>139,653</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company		
The schools and libraries program of the universal service fund	32.XXX	<u>239,893</u>
<u>U.S. Department of Education</u>		
Direct program -		
Fund for the improvement of education (FIE)	84.215	<u>96,010</u>
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	1,021,901
Vocational education - basic grants to states	84.048	77,777
Safe and drug-free schools and communities - state grants	84.186	35,961
State grants for innovative programs	84.298	53,745
Education technology state grants	84.318	27,488
Comprehensive school reform demonstration	84.332	168,613
English language acquisition grants	84.365	42,611
Improving teacher quality - state grants	84.367	449,116
Total		<u>1,878,212</u>
Special education cluster:		
Special education - grants to states	84.027	1,474,935
Special education - preschool grants	84.173	<u>58,191</u>
Total		<u>1,533,126</u>
Total Passed-through Mississippi Department of Education		<u>3,411,338</u>
Total U.S. Department of Education		<u>3,507,348</u>
Total for All Federal Awards		<u>\$ 5,664,244</u>

NOTES TO SCHEDULE

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

Madison County School District  
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
 For the Year Ended June 30, 2005

<u>Expenditures</u>	<u>Total</u>	<u>Instruction</u>	<u>Administrative</u>	<u>Other</u>
Salaries and fringe benefits	\$ 48,861,665	\$ 36,081,508	\$ 5,078,952	\$ 7,701,205
Other	39,550,463	3,208,324	905,477	35,436,662
Total	<u>\$ 88,412,128</u>	<u>\$ 39,289,832</u>	<u>\$ 5,984,429</u>	<u>\$ 43,137,867</u>

Total number of students \* 10,170

Cost per student \$8,693 \$3,863 \$588 \$4,242

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

Instruction - 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. (all the 1000 functional codes)

Administrative - Includes expenditures for the following functions: Support Services - General Administration (2300s); Support Services - School Administration (2400s); and Support Services - Business (2500s)

Other - Includes all expenditure functions not included in Instruction or Administrative\*\*

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

Include 100 and 200 range object codes on the "Salaries and fringe benefits" line; all other expenditures on the "Other" line

\*\*Other - Includes Construction of \$11,329,174 and Debt Service of \$11,844,249 which is a cost per student of \$2,279.

MADISON COUNTY SCHOOL DISTRICT

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

# COLLINS & CORBIN, LTD.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

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, 2005, which collectively comprise the Madison County School District's basic financial statements and have issued our report thereon dated November 22, 2006. 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.

## Internal Control Over Financial Reporting

In planning and performing our audit, we considered the school district's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We did not note any matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

## Compliance and Other Matters

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

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies 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.

*Collins & Corbin, Ltd.*

November 22, 2006

# COLLINS & CORBIN, LTD.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Superintendent and School Board  
Madison County School District

### Compliance

We have audited the compliance of the Madison County School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The school district's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the school district's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the school district's compliance with those requirements.

In our opinion, Madison County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

## Internal Control Over Compliance

The management of the Madison County School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the school district's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies 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.

*Collins & Cobbin, Ltd.*

November 22, 2006

MADISON COUNTY SCHOOL DISTRICT

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

# COLLINS & CORBIN, LTD.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

## 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, 2005, and have issued our report thereon dated November 22, 2006. 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), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds". As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

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

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

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies 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.

*Collins & Corbin, Ltd.*

November 22, 2006

MADISON COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MADISON COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2005

Section 1: Summary of Auditor's Results

*Financial Statements:*

- |    |  |             |
|----|--|-------------|
| 1. | Type of auditor's report issued on the financial statements:                             | Unqualified |
| 2. | Material noncompliance relating to the financial statements?                             | No          |
| 3. | Internal control over financial reporting:   |             |
|    | a. Material weakness(es) identified?   | No          |
|    | b. Reportable condition(s) identified that are not considered to be material weaknesses? | No          |

*Federal Awards:*

- |    |  |             |
|----|--|-------------|
| 4. | Type of auditor's report issued on compliance for major federal programs:                | Unqualified |
| 5. | Internal control over major programs:  |             |
|    | a. Material weakness(es) identified?   | No          |
|    | b. Reportable condition(s) identified that are not considered to be material weaknesses? | No          |
| 6. | Any audit finding(s) reported as required by Section __.510(a) of OMB Circular A-133?    | No          |
| 7. | Federal programs identified as major programs:   |             |
|    | a. Special Education Cluster:<br>CFDA # 84.027<br>CFDA # 84.173                          |             |
| 8. | The dollar threshold used to distinguish between Type A and Type B programs:             | \$300,000   |
| 9. | Auditee qualified as a low-risk auditee?   | Yes         |

10. Prior fiscal year audit finding(s) relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section \_\_\_\_ .315(b) of OMB Circular A-133?

No

Section 2: Financial Statement Findings

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

Section 3: Federal Award Findings and Questioned Costs

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

MADISON COUNTY SCHOOL DISTRICT

AUDITEE'S CORRECTIVE ACTION PLAN

# MADISON COUNTY SCHOOLS

117 Fourth Street - P.O. Box 159  
Flora, MS 39071

BOARD OF EDUCATION

Michael D. Kent  
Superintendent of Education  
Phone (601) 879-3025  
Fax (601) 879-3039

Shirley Simmons, President  
Rosemary McInnis, Secretary  
William Grissett  
Wayne Jimenez  
Ken McCoy

## AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section \_\_\_\_ .315(c) of OMB Circular A-133, the Madison County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2005:

### Finding      Corrective Action Plan Details

There are no current year findings.