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**MADISON COUNTY SCHOOL DISTRICT**

**Audited Financial Statements  
For the Year Ended June 30, 2011**

**WATKINS, WARD AND STAFFORD, PLLC  
CERTIFIED PUBLIC ACCOUNTANTS**

MADISON COUNTY SCHOOL DISTRICT

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**INDEPENDENT AUDITOR'S REPORT**



**WATKINS, WARD AND STAFFORD**  
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INDEPENDENT AUDITOR'S REPORT

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, 2011, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 previously 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, 2011, 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 January 10, 2012, on our consideration of the Madison County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements,

and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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 other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Watkins, Ward and Stafford, PLLC  
Jackson, Mississippi  
January 10, 2012

*Watkins, Ward and Stafford PLLC*

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**MADISON COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

The following discussion and analysis of Madison County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

**FINANCIAL HIGHLIGHTS**

- Total net assets for 2011 increased \$21,966,309, including a prior period adjustment of \$(4,796), which represents a 15% increase from fiscal year 2010. Total net assets for 2010 increased \$18,647,194, including a prior period adjustment of \$28,670, which represents a 14% increase from fiscal year 2009.
- General revenues amounted to \$102,936,400 and \$102,718,930, or 87% and 88% of all revenues for fiscal years 2011 and 2010, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$15,352,710, or 13% of total revenues for 2011, and \$13,704,297, or 12% of total revenues for 2010.
- The District had \$96,318,005 and \$97,804,703 in expenses for fiscal years 2011 and 2010; only \$15,352,710 for 2011 and \$13,704,297 for 2010 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$102,936,400 for 2011 and \$102,718,930 for 2010 were adequate to provide for these programs.
- Among major funds, the General Fund had \$82,982,859 in revenues and \$67,902,337 in expenditures for 2011, and \$82,086,421 in revenues and \$72,716,151 in expenditures in 2010. The General Fund's fund balance increased by \$14,586,187 from 2010 to 2011, and decreased by \$5,393,121, including a prior period adjustment of \$28,420, from 2009 to 2010. The decrease in the fund balance of the General Fund in 2010 was due primarily to the transfer of funds to a capital projects fund to be used for future construction and technology projects to accommodate growth.
- Capital assets, net of accumulated depreciation, increased by \$32,511,645 for 2011 and increased by \$8,445,788 for 2010. The increase for 2011 was due primarily to completed construction during the fiscal year and construction of various school facilities still in progress at fiscal year end.
- Long-term debt increased by \$15,122,553 for 2011 and increased by \$20,966,483 for 2010. The increase for 2011 was due primarily to the issuance of general obligation bonds in the amount of \$29,000,000 during the fiscal year. The liability for compensated absences increased by \$13,937 for 2011 and increased by \$343,428 for 2010.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Government-wide Financial Statements**

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

MADISON COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011

The Statement of Net Assets presents information on all the District's non-fiduciary assets and liabilities, with the differences between the two reported as "net assets." Over time, increases or decreases in the District's net assets may serve as a useful indicator of whether its financial position is improving or deteriorating.

The Statement of Activities presents information showing how the District's net 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 periods.

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

### **Fund Financial Statements**

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

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

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

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

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

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

The financial statements include two schedules that reconcile the amounts reported on the governmental

MADISON COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011

funds financial statements (modified accrual basis of accounting) with government-wide financial statements (accrual basis of accounting). The following summarizes the major differences between the two statements:

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

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

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

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

**Notes to the financial statements**

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

**Required Supplemental Information**

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplemental information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

**Supplemental Information**

Additionally, a Schedule of Expenditures of Federal Awards as required by OMB Circular A-133 and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

**Other Information**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net assets**

Net assets may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$172,085,348 as of June 30, 2011.

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

MADISON COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011

Table 1 presents a summary of the District's net assets at June 30, 2011 and June 30, 2010.

**Table 1**  
**Condensed Statement of Net Assets**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Current assets	\$ 74,331,907	\$ 84,904,876	(12.45) %
Restricted assets	22,524,583	5,764,247	290.76 %
Capital assets, net	<u>214,150,016</u>	<u>181,638,371</u>	17.90 %
<b>Total assets</b>	<b><u>311,006,506</u></b>	<b><u>272,307,494</u></b>	<b>14.21 %</b>
Current liabilities	5,793,229	4,197,016	38.03 %
Long-term debt outstanding	<u>133,127,929</u>	<u>117,991,439</u>	12.83 %
<b>Total liabilities</b>	<b><u>138,921,158</u></b>	<b><u>122,188,455</u></b>	<b>13.69 %</b>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	96,511,448	89,438,304	7.91 %
Restricted	32,470,256	41,032,461	(20.87) %
Unrestricted	<u>43,103,644</u>	<u>19,648,274</u>	119.38 %
<b>Total net assets</b>	<b><u>\$ 172,085,348</u></b>	<b><u>\$ 150,119,039</u></b>	<b>14.63 %</b>

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

- Increase in net capital assets in the amount of \$32,511,645.
- Proceeds from the issuance of general obligation bonds in the amount of \$29,000,000.
- The principal retirement of \$13,877,447 of long-term debt.

**Changes in net assets**

The District's total revenues for the fiscal years ended June 30, 2011 and June 30, 2010 were \$118,289,110 and \$116,423,227, respectively. The total cost of all programs and services was \$96,318,005 for 2011 and \$97,804,703 for 2010.

MADISON COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011

Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2011 and June 30, 2010.

**Table 2  
Changes in Net Assets**

	<u>Year Ended June 30, 2011</u>	<u>Year Ended June 30, 2010</u>	<u>Percentage Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 4,031,231	\$ 4,031,953	(0.02) %
Operating grants and contributions	11,321,479	9,672,344	17.05 %
General revenues:			
Property taxes	54,950,994	52,621,569	4.43 %
Grants and contributions not restricted	44,031,466	45,660,750	(3.57) %
Investment earnings	2,330,806	2,101,242	10.93 %
Sixteenth section sources	1,055,982	1,647,459	(35.90) %
Other	567,152	687,910	(17.55) %
<b>Total revenues</b>	<b><u>118,289,110</u></b>	<b><u>116,423,227</u></b>	<b>1.60 %</b>
<b>Expenses:</b>			
Instruction	54,556,647	57,052,898	(4.38) %
Support services	32,015,440	31,867,138	0.47 %
Non-instructional	4,781,573	4,227,260	13.11 %
Sixteenth section	171,476	172,606	(0.65) %
Interest and other expenses on long-term liabilities	4,792,869	4,484,801	6.87 %
<b>Total expenses</b>	<b><u>96,318,005</u></b>	<b><u>97,804,703</u></b>	<b>(1.52) %</b>
<b>Increase (Decrease) in net assets</b>	<b><u>21,971,105</u></b>	<b><u>18,618,524</u></b>	<b>18.01 %</b>
<b>Net Assets, July 1, as originally reported</b>	<b>150,119,039</b>	<b>131,471,845</b>	<b>14.18 %</b>
<b>Prior Period Adjustment</b>	<b><u>(4,796)</u></b>	<b><u>28,670</u></b>	<b>(116.73) %</b>
<b>Net Assets, July 1, as restated</b>	<b><u>150,114,243</u></b>	<b><u>131,500,515</u></b>	<b>14.15 %</b>
<b>Net Assets, June 30</b>	<b><u>\$ 172,085,348</u></b>	<b><u>\$ 150,119,039</u></b>	<b>14.63 %</b>

**Governmental activities**

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

MADISON COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011

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

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2011</u>	<u>2010</u>	
Instruction	\$ 54,556,647	\$ 57,052,898	(4.38) %
Support services	32,015,440	31,867,138	0.47 %
Non-instructional	4,781,573	4,227,260	13.11 %
Sixteenth section	171,476	172,606	(0.65) %
Interest on long-term liabilities	4,792,869	4,484,801	6.87 %
<b>Total expenses</b>	<b><u>\$ 96,318,005</u></b>	<b><u>\$ 97,804,703</u></b>	<b>(1.52) %</b>

  

	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2011</u>	<u>2010</u>	
Instruction	\$ (46,438,389)	\$ (51,112,504)	(9.14) %
Support services	(29,692,659)	(28,797,243)	3.11 %
Non-instructional	67,684	318,679	(78.76) %
Sixteenth section	(109,062)	(24,537)	344.48 %
Interest on long-term liabilities	(4,792,869)	(4,484,801)	6.87 %
<b>Total net (expense) revenue</b>	<b><u>\$ (80,965,295)</u></b>	<b><u>\$ (84,100,406)</u></b>	<b>(3.73) %</b>

- Net cost of governmental activities (\$80,965,295 for 2011 and \$84,100,406 for 2010) was financed by general revenue, which is primarily made up of property taxes (\$54,950,994 for 2011 and \$52,621,569 for 2010) and state and federal revenues (\$44,031,466 for 2011 and \$45,660,750 for 2010). In addition, there was \$1,055,982 and \$1,647,459 in Sixteenth Section sources for 2011 and 2010, respectively.
- Investment earnings amounted to \$2,330,806 for 2011 and \$2,101,242 for 2010.

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the District's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$91,870,966, an increase of \$4,387,961, which includes a prior period adjustment of \$(9,950) and a decrease in reserve for inventory of \$6,254. \$11,960,284, or 13%, of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$79,910,682, or 87%, is either non-spendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

**MADISON COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$14,586,187. The fund balance of Other Governmental Funds showed a decrease in the amount of \$3,991,622, which includes a prior period adjustment of \$(9,950) and a decrease in reserve for inventory of \$6,254. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>		<u>Increase (Decrease)</u>
Sixteenth Section Interest Fund	\$	1,231,750
District Construction Fund	\$	257,906
2009 29M Construction Fund	\$	(19,890,444)
2010 29M Construction Fund	\$	12,194,184

**BUDGETARY HIGHLIGHTS**

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District. Significant budget revisions made during the fiscal year are explained as follows:

- Budgeted amounts for revenue from local sources in the General Fund were increased during the fiscal year to reflect an increase in ad valorem receipts and an increase in earnings on investments. Also, activity fund revenues were not included in the original budget.
- Budgeted amounts for revenue from state sources in the General Fund were increased during the fiscal year to reflect an increase in Mississippi Adequate Education Program (MAEP) funds from amounts originally budgeted. The District took a conservative approach to budgeting and considered anticipated budget cuts when preparing the original budget.
- Budgeted amounts for instruction expenditures in the General Fund were decreased during the fiscal year. The District received approximately \$2.8M in Budget Stabilization funds that were reported in a special revenue fund. Instructional expenditures normally incurred in the General Fund were reclassified to the Budget Stabilization Fund (special revenue fund) and federal funds were received to cover those expenditures.
- Budgeted amounts for support services expenditures in the General Fund were decreased during the fiscal year. The District took a conservative approach to spending and some expenditures originally budgeted were delayed. Expenditures were budgeted to address common core and high school redesign, but the District is awaiting a final determination as to how to best meet the needs of the students.
- The original budget for the General Fund was revised to reflect insurance loss recoveries during the fiscal year related to fire damages caused by arson.
- The District revised the budget to reflect actual revenue from federal sources and instruction and support services expenditures in various special revenue funds receiving federal funds related to the American Recovery and Reinvestment Act (ARRA).
- Budgeted amounts for sixteenth section sources in the Sixteenth Section Interest Funds were increased during the fiscal year resulting from an increase in timber sales and earnings on investments.

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

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2011, the District's total capital assets were \$262,225,533, including land, construction in progress, school buildings, building improvements and other improvements, buses, other school vehicles and furniture and equipment. This amount represents a gross increase of

MADISON COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011

\$37,132,954 from 2010, due primarily to completed construction during the fiscal year and ongoing construction projects at fiscal year end. Total accumulated depreciation as of June 30, 2011, was \$48,075,517, and total depreciation expense for the year was \$4,674,367, resulting in total net capital assets of \$214,150,016.

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

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Land	\$ 6,740,366	\$ 6,722,267	0.27 %
Construction in Progress	33,285,524	9,070,145	266.98 %
Buildings	165,041,138	159,952,034	3.18 %
Building improvements	1,494,305	19,889	7,413.22 %
Improvements other than buildings	5,874,330	4,256,994	37.99 %
Mobile equipment	692,242	763,365	(9.32) %
Furniture and equipment	1,022,111	853,677	19.73 %
<b>Total</b>	<b><u>\$ 214,150,016</u></b>	<b><u>\$ 181,638,371</u></b>	<b>17.90 %</b>

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

**Debt Administration.** At June 30, 2011, the District had \$133,127,929 in outstanding long-term debt, of which \$10,112,646 is due within one year. During the fiscal year, the District received proceeds from the issuance of general obligation bonds in the amount of \$29,000,000. The District made principal payments totaling \$13,877,447 on existing long-term debt. The liability for compensated absences increased \$13,937 from the prior year.

The District maintains a bond rating of AA- by Standard & Poor's and Aa2 by Moody's Investors Service.

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

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 115,910,000	\$ 96,015,000	20.72 %
Limited obligation bonds payable	6,395,000	7,100,000	(9.93) %
Three mill notes payable	6,970,000	8,460,000	(17.61) %
Shortfall notes payable	-	577,447	(100.00) %
Qualified zone academy bonds payable	-	2,000,000	(100.00) %
Qualified school construction bonds payable	3,000,000	3,000,000	0.00 %
Compensated absences payable	852,929	838,992	1.66 %
<b>Total</b>	<b><u>\$ 133,127,929</u></b>	<b><u>\$ 117,991,439</u></b>	<b>12.83 %</b>

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

## CURRENT ISSUES

The Madison County School District is financially stable. The District is proud of its community support of the public schools.

MADISON COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011

The District has committed itself to financial excellence for many years. The District's system of financial planning, budgeting and internal financial controls is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

The District actively pursues grant funding to supplement the local, state and federal revenues.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

**FINANCIAL STATEMENTS**

**MADISON COUNTY SCHOOL DISTRICT**

**Statement of Net Assets**  
**June 30, 2011**

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 67,147,335
Investments	3,809,778
Due from other governments	3,062,634
Inventories	41,851
Deferred debt issuance costs	270,309
Restricted assets	22,524,583
Capital assets, non-depreciable:	
Land	6,740,366
Construction in progress	33,285,524
Capital assets, net of accumulated depreciation:	
Buildings	165,041,138
Building improvements	1,494,305
Improvements other than buildings	5,874,330
Mobile equipment	692,242
Furniture and equipment	1,022,111
Total Assets	311,006,506
<b>Liabilities</b>	
Accounts payable and accrued liabilities	4,463,951
Unearned revenue	251,264
Interest payable on long-term liabilities	1,324,222
Deferred charges on refunding debt	(246,208)
Long-term liabilities, due within one year:	
Capital related liabilities	10,070,000
Non-capital related liabilities	42,646
Long-term liabilities, due beyond one year:	
Capital related liabilities	122,205,000
Non-capital related liabilities	810,283
Total Liabilities	138,921,158
<b>Net Assets</b>	
Invested in capital assets, net of related debt	96,511,448
Restricted for:	
Expendable:	
School-based activities	14,653,240
Debt service	15,487,746
Forestry improvements	219,356
Unemployment benefits	196,790
Non-expendable:	
Sixteenth section	1,913,124
Unrestricted	43,103,644
Total Net Assets	\$ 172,085,348

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, 2011

Exhibit B

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
<b>Governmental Activities:</b>						
Instruction	\$ 54,556,647	\$ 1,614,549	\$ 6,503,709	\$	\$ (46,438,389)	
Support services	32,015,440		2,322,781		(29,692,659)	
Non-instructional	4,781,573	2,354,268	2,494,989		67,684	
Sixteenth section	171,476	62,414			(109,062)	
Interest on long-term liabilities	4,792,869				(4,792,869)	
<b>Total Governmental Activities</b>	<b>\$ 96,318,005</b>	<b>\$ 4,031,231</b>	<b>\$ 11,321,479</b>	<b>\$ 0</b>	<b>\$ (80,965,295)</b>	

General Revenues:

Taxes:

General purpose levies 39,433,929

Debt purpose levies 15,517,065

Unrestricted grants and contributions:

State 40,881,987

Federal 3,149,479

Unrestricted investment earnings 2,330,806

Sixteenth section sources 1,055,982

Other 567,152

**Total General Revenues 102,936,400**

Change in Net Assets 21,971,105

Net Assets - Beginning, as originally reported 150,119,039

Prior Period Adjustments (4,796)

Net Assets - Beginning, as restated 150,114,243

Net Assets - Ending \$ 172,085,348

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

**MADISON COUNTY SCHOOL DISTRICT  
Governmental Funds**

**Balance Sheet  
June 30, 2011**

**Exhibit C**

	Major Funds					Other Governmental Funds	Total Governmental Funds
	General Fund	Sixteenth Section Interest Fund	District Construction Fund	2009 29M Construction Fund	2010 29M Construction Fund		
<b>Assets</b>							
Cash and cash equivalents	\$ 23,867,644	\$ 7,439,932	18,459,915	1,624,101	15,869,725	\$ 20,984,718	\$ 88,246,035
Investments	6,413	3,803,365				1,425,883	5,235,661
Due from other governments	1,355,445					1,691,554	3,046,999
Due from other funds	570,020	53,341				338,044	961,405
Inventories						41,851	41,851
<b>Total assets</b>	<b>\$ 25,799,522</b>	<b>\$ 11,296,638</b>				<b>\$ 24,482,050</b>	<b>\$ 97,531,951</b>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities:</b>							
Accounts payable and accrued liabilities	\$ 108,191	\$ 44,532	454,793	50,330	3,675,541	\$ 130,564	\$ 4,463,951
Due to other funds	10,189					935,581	945,770
Unearned revenue						251,264	251,264
<b>Total Liabilities</b>	<b>118,380</b>	<b>44,532</b>	<b>454,793</b>	<b>50,330</b>	<b>3,675,541</b>	<b>1,317,409</b>	<b>5,660,985</b>
<b>Fund Balances:</b>							
<b>Nonspendable:</b>							
Inventory						41,851	41,851
Permanent fund principal						1,913,124	1,913,124
<b>Restricted:</b>							
Debt service						16,811,968	16,811,968
Capital projects				1,573,771	12,194,184	622,269	14,390,224
Forestry improvement purposes						219,356	219,356
Unemployment benefits						196,790	196,790
Other commitments		11,252,106				2,747,895	14,000,001
<b>Committed:</b>							
Capital projects and renovations			18,005,122				18,005,122
Other purposes						575,585	575,585
<b>Assigned:</b>							
Other purposes	13,720,858					35,803	13,756,661
<b>Unassigned</b>	<b>11,960,284</b>						<b>11,960,284</b>
<b>Total Fund Balances</b>	<b>25,681,142</b>	<b>11,252,106</b>	<b>18,005,122</b>	<b>1,573,771</b>	<b>12,194,184</b>	<b>23,164,641</b>	<b>91,870,966</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 25,799,522</b>	<b>\$ 11,296,638</b>	<b>18,459,915</b>	<b>1,624,101</b>	<b>15,869,725</b>	<b>\$ 24,482,050</b>	<b>\$ 97,531,951</b>

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

**MADISON COUNTY SCHOOL DISTRICT  
Governmental Funds**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets  
June 30, 2011**

**Exhibit C-1**

**Total fund balances for governmental funds** **\$ 91,870,966**

Amounts reported for governmental activities in the statement of net assets are different because:

1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:

Land	\$ 6,740,366	
Construction in progress	33,285,524	
Buildings	205,794,257	
Building improvements	1,587,646	
Improvements other than buildings	8,216,134	
Mobile equipment	2,397,751	
Furniture and equipment	4,203,855	
Accumulated depreciation	<u>(48,075,517)</u>	214,150,016

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

General obligation bonds	(115,910,000)	
Limited obligation bonds	(6,395,000)	
Other Bonds Payable	(3,000,000)	
Notes payable	(6,970,000)	
Compensated absences	(852,929)	
Unamortized charges	516,517	
Accrued interest payable	<u>(1,324,222)</u>	(133,935,634)

**Net assets of governmental activities** **\$ 172,085,348**

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

**MADISON COUNTY SCHOOL DISTRICT**  
**Governmental Funds**

**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2011**

Exhibit D

	Major Funds					Other Governmental Funds	Total Governmental Funds
	General Fund	Sixteenth Section Interest Fund	District Construction Fund	2009 29 M Construction Fund	2010 29 M Construction Fund		
<b>Revenues:</b>							
Local sources	\$ 42,274,296	\$		112,288	264,731	\$ 18,750,577	\$ 61,401,892
State sources	40,377,324					2,607,442	42,984,766
Federal sources	331,239					12,036,940	12,368,179
Sixteenth section sources		1,321,125				131,934	1,453,059
<b>Total Revenues</b>	<b>82,982,859</b>	<b>1,321,125</b>	<b>0</b>	<b>112,288</b>	<b>264,731</b>	<b>33,526,893</b>	<b>118,207,896</b>
<b>Expenditures:</b>							
Instruction	40,595,126		7,092	21,277		9,797,887	50,421,382
Support services	27,283,760		194,351	710,899	1,256,691	2,661,004	32,106,705
Noninstructional services						4,660,396	4,660,396
Sixteenth section		142,716				28,760	171,476
Facilities acquisition and construction			544,415	19,270,556	14,720,734	2,089,455	36,625,160
Debt service:							
Principal						13,877,447	13,877,447
Interest	23,451					4,873,383	4,896,834
Other					94,395	33,940	128,335
<b>Total Expenditures</b>	<b>67,902,337</b>	<b>142,716</b>	<b>745,858</b>	<b>20,002,732</b>	<b>16,071,820</b>	<b>38,022,272</b>	<b>142,887,735</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>15,080,522</b>	<b>1,178,409</b>	<b>(745,858)</b>	<b>(19,890,444)</b>	<b>(15,807,089)</b>	<b>(4,495,379)</b>	<b>(24,679,839)</b>
<b>Other Financing Sources (Uses):</b>							
Bonds and notes issued					29,000,000		29,000,000
Insurance recovery	37,000						37,000
Payment held by escrow agent						60,000	60,000
Payment to QSCB debt escrow agent						(60,000)	(60,000)
Sale of other property	31,900						31,900
Operating transfers in	505,818	53,341	998,727			1,251,495	2,809,381
Other financing sources	67		5,037			10,000	15,104
Operating transfers out	(1,069,120)				(998,727)	(741,534)	(2,809,381)
<b>Total Other Financing Sources (Uses)</b>	<b>(494,335)</b>	<b>53,341</b>	<b>1,003,764</b>	<b>0</b>	<b>28,001,273</b>	<b>519,961</b>	<b>29,084,004</b>
<b>Net Change in Fund Balances</b>	<b>14,586,187</b>	<b>1,231,750</b>	<b>257,906</b>	<b>(19,890,444)</b>	<b>12,194,184</b>	<b>(3,975,418)</b>	<b>4,404,165</b>
<b>Fund Balances:</b>							
July 1, 2010, as originally reported	11,094,955	10,020,356	17,747,216	21,464,215	0	27,156,263	87,483,005
Prior period adjustments						(9,950)	(9,950)
July 1, 2010, as restated	11,094,955	10,020,356	17,747,216	21,464,215	0	27,146,313	87,473,055
<b>Increase (Decrease) in reserve for inventory</b>						<b>(6,254)</b>	<b>(6,254)</b>
<b>June 30, 2011</b>	<b>\$ 25,681,142</b>	<b>\$ 11,252,106</b>	<b>18,005,122</b>	<b>1,573,771</b>	<b>12,194,184</b>	<b>\$ 23,164,641</b>	<b>\$ 91,870,966</b>

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

**MADISON COUNTY SCHOOL DISTRICT  
Governmental Funds**

**Reconciliation of the Governmental Funds Statement of Revenues,  
Expenditures and Changes in Fund Balances to the Statement of Activities  
For the Year Ended June 30, 2011**

**Exhibit D-1**

**Net change in fund balances - total governmental funds** **\$ 4,404,165**

Amounts reported for governmental activities in the statement of activities are different because:

1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 37,188,755	
Net effect of prior period adjustments	(4,154)	
Depreciation expense	<u>(4,674,367)</u>	32,510,234

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold. (3,743)

3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

Bonds and notes issued	(29,000,000)	
Payments of debt principal	13,877,447	
Accrued interest payable	152,049	
Deferred issuance costs	<u>115,424</u>	(14,855,080)

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

Change in compensated absences	(13,937)	
Change in inventory reserve	(6,254)	
Amortization of deferred charges, premiums and discounts	<u>(64,280)</u>	(84,471)

**Change in net assets of governmental activities** **\$ 21,971,105**

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

**MADISON COUNTY SCHOOL DISTRICT  
Fiduciary Funds**

**Statement of Fiduciary Net Assets and Liabilities  
June 30, 2011**

**Exhibit E**

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 2,793,817
 Total Assets	 <u><u>\$ 2,793,817</u></u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 2,382,366
Due to other governments	
Due to other funds	15,635
Due to student clubs	395,816
Total Liabilities	<u><u>\$ 2,793,817</u></u>

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

MADISON COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

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

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

**A. Basis of Presentation**

In February 2009, the GASB issued GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement No. 54. As a result, amounts previously reported as reserved and unreserved are now reported as non-spendable, restricted, committed, assigned, or unassigned.

**B. Financial Reporting Entity**

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

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

**C. Government-wide and Fund Financial Statements**

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

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

1. Invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net assets consist of net assets not meeting the definition of the two preceding

MADISON COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

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

The school district reports the following major governmental funds:

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

Sixteenth Section Interest Fund – This is a special revenue fund that accounts for revenues and expenditures associated with maintaining and improving sixteenth section lands.

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

2009 29M Construction Fund – This is a capital projects fund that accounts for proceeds received from the issuance of general obligation bonds to be used for the acquisition, construction or renovation of major capital facilities.

2010 29M Construction Fund – This is a capital projects fund that accounts for proceeds received from the issuance of general obligation bonds to be used for the acquisition, construction or renovation of major capital facilities.

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

The school district also reports fiduciary funds (agency funds) which focus on assets and liabilities only.

The District's fiduciary funds include the following:

Payroll Clearing Fund – This fund serves as a clearing fund for payroll type transactions.

Student Club Funds – These various funds account for the monies raised through school club activities and fund raisers and club related expenditures approved by the individual clubs.

Accounts Payable Clearing Fund – This fund serves as a clearing fund for accounts payable type transactions.

Additionally, the school district reports the following fund types:

MADISON COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

GOVERNMENTAL FUNDS

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

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

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

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

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

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 recorded when earned, and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

Ad valorem property taxes are levied by the governing authority of the county on behalf of the school district based upon an order adopted by the school board of the school district requesting an ad valorem tax effort in dollars. Since the taxes are not levied and collected by the school

MADISON COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

district, the revenues to be generated by the annual levies are not recognized until the taxes are actually collected by the tax levying authority.

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

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

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

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

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2005 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2003*, issued by the U.S. Department of Education.

**E. Encumbrances**

An encumbrance system is maintained to account for commitments or assignments resulting from approved purchase orders, work orders and contracts. However, the school district attempts to liquidate all encumbrances at year-end. There were no encumbrances outstanding at fiscal year-end so no balances were reported within committed or assigned fund balances.

**F. Assets, liabilities, and net assets/fund balances**

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

MADISON COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

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

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

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

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The following schedule details the capitalization 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

7. **Compensated Absences**

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

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

8. **Long-term Liabilities, Deferred Debt Expense, and Bond Discounts/Premiums**

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

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

9. **Fund Balances**

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

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

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

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such as a principal balance in a permanent fund.

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

*Committed fund balance* includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is a resolution approved by the School Board.

*Assigned fund balance* includes amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the Superintendent and the Business Manager pursuant to authorization established by the District's approved fund balance policy.

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

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

## **Note 2 – Cash and Cash Equivalents and Investments**

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

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

**Investments.** Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer ; (d) direct security repurchase agreements and reverse direct security repurchase

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$88,246,035 and \$2,793,817, respectively. The carrying amount of deposits reported in the government-wide financial statements include amounts reported in cash and cash equivalents of \$67,147,335 and a portion of restricted assets in the amount of \$21,098,700 (see Note 4).

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the 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 district. As of June 30, 2011, none of the district's bank balance of \$95,975,249 was exposed to custodial credit risk.

Investments

As of June 30, 2011, the district had the following investments. Except for the investment in the Mississippi Education Pool, all investments are in an internal investment pool.

Investment Type	Rating	Maturities (in years)	Fair Value
Mississippi Education Investment Pool A	Not rated **	1 to 5	\$ 4,797,744
Mississippi Education Investment Pool B	Not rated **	1 to 5	6,413
Federal Government Obligations	Not rated	Less than 1 year	60,000
Federal US Treasury Cash Reserve	Not rated	Less than 1 year	<u>371,504</u>
Total			<u>\$ 5,235,661</u>

\*\* The investment in the Mississippi Education Investment Pools A and B are not SEC-registered, and there is no regulatory oversight for these pools. The fair value of the position in the Pools is the same as the value of the respective Pool shares. The Mississippi Education Pools A and B do not issue separate audited financial statements.

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

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

*Custodial Credit Risk - Investments.* Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment

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policy that addresses custodial credit risk. As of June 30, 2011, the district did not have any investments to which this would apply.

*Concentration of Credit Risk.* Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments.

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

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

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other governmental funds	\$ 554,385
	Fiduciary funds	15,635
Sixteenth Section Interest Fund	Other governmental funds	53,341
Other governmental funds	General Fund	10,189
	Other governmental funds	<u>327,855</u>
Total		<u>\$ 961,405</u>

The amounts due to or due from other funds primarily represent amounts loaned between funds for timing differences between revenues and expenditures and cash balances.

**B. Inter-fund Transfers**

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Other governmental funds	\$ 1,069,120
2010 29M Construction Fund	District Construction Fund	998,727
Other governmental funds	General Fund	505,818
	Sixteenth Section Interest Fund	53,341
	Other governmental funds	182,375
Total		<u>\$ 2,809,381</u>

The transfers represent board approved operating transfers for school operations and planning purposes.

**Note 4 – Restricted Assets**

The restricted assets represent the cash balance and investment balance, totaling \$965,740 and \$994,379, respectively, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets represent the cash balance totaling \$246,458 of the QZAB Bond Retirement Fund and the cash and investment balance, totaling \$3,495 and \$60,000, respectively, of the QSCB Bond

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Retirement Fund. Also, the restricted assets represent the cash and investment balance, totaling \$1,638,342 and \$371,504, respectively, of the MAEP Limited Obligation Bond/Note Fund. Also included in restricted assets is the cash balance totaling \$18,244,665 of various capital project funds resulting from unspent proceeds of long-term debt at fiscal year end.

**Note 5 – Capital Assets**

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

	Balance 7/1/2010	Increases	Decreases	Balance 6/30/2011
<b>Governmental Activities:</b>				
<u>Non-depreciable capital assets:</u>				
Land	\$ 6,722,267	\$ 18,099	\$	\$ 6,740,366
Construction in progress	9,070,145	36,625,160	12,409,781	33,285,524
Total non-depreciable capital assets	<u>15,792,412</u>	<u>36,643,259</u>	<u>12,409,781</u>	<u>40,025,890</u>
<u>Depreciable capital assets:</u>				
Buildings	196,854,324	8,939,933		205,794,257
Building improvements	49,724	1,537,922		1,587,646
Improvements other than buildings	6,270,153	1,945,981		8,216,134
Mobile equipment	2,386,110	39,546	27,905	2,397,751
Furniture and equipment	3,739,856	492,895	28,896	4,203,855
Total depreciable capital assets	<u>209,300,167</u>	<u>12,956,277</u>	<u>56,801</u>	<u>222,199,643</u>
<u>Less accumulated depreciation for:</u>				
Buildings	36,902,290	3,850,829		40,753,119
Building improvements	29,835	63,506		93,341
Improvements other than buildings	2,013,159	328,645		2,341,804
Mobile equipment	1,622,745	107,879	25,115	1,705,509
Furniture and equipment	2,886,179	323,508	27,943	3,181,744
Total accumulated depreciation	<u>43,454,208</u>	<u>4,674,367</u>	<u>53,058</u>	<u>48,075,517</u>
Total depreciable capital assets, net	<u>165,845,959</u>	<u>8,281,910</u>	<u>3,743</u>	<u>174,124,126</u>
Governmental activities capital assets, net	<u>\$ 181,638,371</u>	<u>\$ 44,925,169</u>	<u>\$ 12,413,524</u>	<u>\$ 214,150,016</u>

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 4,225,519
Support services	334,622
Non-instructional	114,226
Total depreciation expense - Governmental activities	<u>\$ 4,674,367</u>

Construction in progress is composed of:

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	<u>Spent to June 30, 2011</u>	<u>Remaining Commitment</u>
<b>Governmental Activities:</b>		
Germantown High School	\$ 23,406,403	\$ 2,298,504
GHS Athletic Stadium/Fieldhouse	7,918,082	3,332,920
GHS Band Hall	1,961,039	126,610
Total construction in progress	<u>33,285,524</u>	<u>5,758,034</u>

Construction projects included in governmental activities are funded with proceeds from the issuance of long-term debt and funds that have been transferred from the General Fund to various Capital Project Funds to be used for the renovation and construction of major capital facilities.

**Note 6 – Long-term Liabilities**

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

	<u>Balance 7/1/2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2011</u>	<u>Amounts due within one year</u>
A. General obligation bonds payable	\$ 96,015,000	\$ 29,000,000	\$ 9,105,000	\$ 115,910,000	\$ 7,795,000
B. Limited obligation bonds payable	7,100,000		705,000	6,395,000	730,000
C. Three mill notes payable	8,460,000		1,490,000	6,970,000	1,545,000
D. Shortfall notes payable	577,447		577,447	-	-
E. Qualified zone academy bonds payable	2,000,000		2,000,000	-	-
F. Qualified school construction bonds payable	3,000,000			3,000,000	-
G. Compensated absences payable	838,992	13,937		852,929	42,646
Total	<u>\$ 117,991,439</u>	<u>\$ 29,013,937</u>	<u>\$ 13,877,447</u>	<u>\$ 133,127,929</u>	<u>\$ 10,112,646</u>

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**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 2010	2%-2.75%	10/15/2010	4/15/2023	\$ 29,000,000	\$ 29,000,000
General obligation bonds, Series 2009	3%-3.625%	12/1/2009	12/1/2024	29,000,000	29,000,000
General obligation refunding bonds, Series 2008	3%-4%	12/17/2008	9/1/2018	8,005,000	6,775,000
General obligation bonds, Series 2005	4%-4.75%	4/15/2005	4/15/2025	40,000,000	31,715,000
General obligation refunding bonds, Series 2005-A	3.25%-5%	4/11/2005	9/1/2019	26,190,000	16,090,000
General obligation refunding bonds, Series 2002	3.5%-5%	11/1/2002	12/1/2013	10,850,000	3,330,000
<b>Total</b>				<b>\$ 143,045,000</b>	<b>\$ 115,910,000</b>

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

- Series 2010 issued on October 15, 2010:

Year Ending June 30	Principal	Interest	Total
2012	\$ 1,850,000	\$ 1,042,219	\$ 2,892,219
2013	2,500,000	648,563	3,148,563
2014	3,000,000	586,062	3,586,062
2015	1,000,000	526,063	1,526,063
2016	1,200,000	506,062	1,706,062
2017 – 2021	12,200,000	1,923,187	14,123,187
2022 – 2023	7,250,000	298,125	7,548,125
<b>Total</b>	<b>\$ 29,000,000</b>	<b>\$ 5,530,281</b>	<b>\$ 34,530,281</b>

This debt will be retired from the 2011 \$29M GO Bond Debt Fund (4035).

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2. Series 2009 issued on December 1, 2009:

Year Ending June 30	Principal	Interest	Total
2012	\$ 600,000	\$ 984,750	\$ 1,584,750
2013	650,000	966,000	1,616,000
2014	700,000	945,750	1,645,750
2015	850,000	922,500	1,772,500
2016	1,350,000	889,500	2,239,500
2017 – 2021	11,600,000	3,517,750	15,117,750
2022 – 2025	13,250,000	874,375	14,124,375
<b>Total</b>	<b>\$ 29,000,000</b>	<b>\$ 9,100,625</b>	<b>\$ 38,100,625</b>

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

3. Series 2008 issued on December 17, 2008:

Year Ending June 30	Principal	Interest	Total
2012	\$ 1,015,000	\$ 210,275	\$ 1,225,275
2013	1,005,000	179,975	1,184,975
2014	940,000	150,330	1,090,330
2015	880,000	121,680	1,001,680
2016	840,000	93,320	933,320
2017 – 2019	2,095,000	110,380	2,205,380
<b>Total</b>	<b>\$ 6,775,000</b>	<b>\$ 865,960</b>	<b>\$ 7,640,960</b>

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

4. Series 2005 issued on April 15, 2005:

Year Ending June 30	Principal	Interest	Total
2012	\$ 1,620,000	\$ 1,408,525	\$ 3,028,525
2013	1,705,000	1,343,725	3,048,725
2014	1,790,000	1,275,525	3,065,525
2015	1,875,000	1,203,925	3,078,925
2016	1,970,000	1,124,238	3,094,238
2017 – 2021	11,430,000	4,244,737	15,674,737
2022 – 2025	11,325,000	1,367,100	12,692,100
<b>Total</b>	<b>\$ 31,715,000</b>	<b>\$ 11,967,775</b>	<b>\$ 43,682,775</b>

This debt will be retired from the 2005 GO Bond \$40M Fund (4096).

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 1,480,000	\$ 694,487	\$ 2,174,487
2013	1,560,000	633,788	2,193,788
2014	1,630,000	565,737	2,195,737
2015	1,730,000	495,794	2,225,794
2016	1,790,000	430,800	2,220,800
2017 – 2020	7,900,000	804,750	8,704,750
<b>Total</b>	<b>\$ 16,090,000</b>	<b>\$ 3,625,356</b>	<b>\$ 19,715,356</b>

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

6. Series 2002 issued on November 1, 2002:

Year Ending June 30	Principal	Interest	Total
2012	\$ 1,230,000	\$ 121,500	\$ 1,351,500
2013	1,290,000	64,650	1,354,650
2014	810,000	16,200	826,200
<b>Total</b>	<b>\$ 3,330,000</b>	<b>\$ 202,350</b>	<b>\$ 3,532,350</b>

This debt will be retired from the 2002 GO Refunding Bonds Fund (4094).

Total general obligation bond payments for all issues:

Year Ending June 30	Principal	Interest	Total
2012	\$ 7,795,000	\$ 4,461,756	\$ 12,256,756
2013	8,710,000	3,836,701	12,546,701
2014	8,870,000	3,539,604	12,409,604
2015	6,335,000	3,269,962	9,604,962
2016	7,150,000	3,043,920	10,193,920
2017 – 2021	45,225,000	10,600,804	55,825,804
2022 – 2025	31,825,000	2,539,600	34,364,600
<b>Total</b>	<b>\$ 115,910,000</b>	<b>\$ 31,292,347</b>	<b>\$ 147,202,347</b>

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2011, the amount of outstanding bonded indebtedness was equal to 11% of property assessments as of October 1, 2010.

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**B. Limited obligation bonds payable**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement refunding bonds, Series 2007	3.75%	12/1/2007	2/1/2018	\$ 7,460,000	\$ 6,395,000
Total				<u>\$ 7,460,000</u>	<u>\$ 6,395,000</u>

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 730,000	\$ 225,790	\$ 955,790
2013	760,000	197,853	957,853
2014	785,000	168,884	953,884
2015	815,000	138,884	953,884
2016	845,000	107,759	952,759
2017 – 2018	2,460,000	117,267	2,577,267
Total	<u>\$ 6,395,000</u>	<u>\$ 956,437</u>	<u>\$ 7,351,437</u>

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 (4041).

**C. 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	2%-5%	5/27/2004	6/1/2014	\$ 6,000,000	\$ 1,930,000
Limited tax notes, Series 2002	3%-5%	11/1/2002	6/1/2016	12,000,000	5,040,000
Total				<u>\$ 18,000,000</u>	<u>\$ 6,970,000</u>

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

- Series 2004 issued on May 27, 2004:

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Year Ending June 30	Principal	Interest	Total
2012	\$ 620,000	\$ 69,202	\$ 689,202
2013	645,000	47,503	692,503
2014	665,000	24,605	689,605
<b>Total</b>	<b>\$ 1,930,000</b>	<b>\$ 141,310</b>	<b>\$ 2,071,310</b>

This debt will be retired from the 2004 Limited Tax Note \$6,000,000 Fund (4029).

2. Series 2002 issued on November 1, 2002:

Year Ending June 30	Principal	Interest	Total
2012	\$ 925,000	\$ 233,150	\$ 1,158,150
2013	960,000	196,150	1,156,150
2014	1,000,000	157,750	1,157,750
2015	1,050,000	107,750	1,157,750
2016	1,105,000	55,250	1,160,250
<b>Total</b>	<b>\$ 5,040,000</b>	<b>\$ 750,050</b>	<b>\$ 5,790,050</b>

This debt will be retired from the 2002 Three Mill Note Fund (4028).

Total three mill notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2012	\$ 1,545,000	\$ 302,352	\$ 1,847,352
2013	1,605,000	243,653	1,848,653
2014	1,665,000	182,355	1,847,355
2015	1,050,000	107,750	1,157,750
2016	1,105,000	55,250	1,160,250
<b>Total</b>	<b>\$ 6,970,000</b>	<b>\$ 891,360</b>	<b>\$ 7,861,360</b>

**D. Shortfall notes payable**

Debt retired during the fiscal year is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Revenue shortfall note	3.70%	9/7/2007	9/7/2010	\$ 1,664,178	\$ -
<b>Total</b>				<b>\$ 1,664,178</b>	<b>\$ -</b>

The revenue shortfall note was paid in full as of June 30, 2011. This debt was retired from the 2007 Tax Shortfall Fund (4017).

MADISON COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

**E. Qualified zone academy bonds payable**

As more fully explained in Note 12, debt has been issued by the school district that qualifies as Qualified Zone Academy bonds. Debt retired during the fiscal year is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
\$2,000,000 QZAB payable	0%	7/20/2000	7/1/2010	\$ 2,000,000	\$ -
Total				\$ 2,000,000	\$ -

**F. Qualified school construction bonds payable**

As more fully explained in Note 13, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

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

**G. Compensated absences payable**

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

**Note 7 – Other Commitments**

Commitments under construction contracts are described in Note 5.

Operating leases:

The school district has several operating leases for copiers.

Lease expenditures for the year ended June 30, 2011, amounted to \$135,562.

Future lease payments for these leases are as follows:

**MADISON COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

Year Ending June 30	Amount
2012	\$ 148,464
2013	134,300
2014	77,719
2015	23,014
2016	928
<b>Total</b>	<b>\$ 384,425</b>

**Contracts:**

The school district entered into a contract dated July 1, 2005 with First Student, Inc. to provide transportation services for the district. On July 1, 2009, an agreement was signed to amend certain provisions of the pupil transportation services agreement and extend the term of the agreement for four additional years, commencing July 1, 2009 and continuing through June 30, 2013. The maximum term of this agreement, including extensions, is eight years. The contract is based on an estimated school year comprised of a minimum 180 days and 114 routes per day using various rates as stated in the contract based on the type and length of the routes. Transportation expenditures for student transportation under this contract for the year ended June 30, 2011, totaled \$5,192,343 for route service. An additional amount of \$283,864 was paid to First Student, Inc. for extra transportation services for activity and athletic field trips not included in the above contract. Minimum future payments to be made under the contract are estimated as follows:

Year Ending June 30	Amount
2012	\$ 5,421,625
2013	5,611,382
<b>Total</b>	<b>\$ 11,033,007</b>

**Note 8 – 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 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2011 was 12.00% 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, 2011, 2010 and 2009 were \$5,590,125, \$5,939,208 and \$5,915,054, respectively, which equaled the required contributions for each year.

MADISON COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

**Note 9 – Sixteenth Section Lands**

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising there from 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
2012	\$ 649,832
2013	644,615
2014	564,329
2015	560,304
2016	442,029
Thereafter	12,339,802
Total	<u>\$ 15,200,911</u>

**Note 10 – Prior Period Adjustments**

A summary of significant fund balance adjustments is as follows:

Exhibit B - Statement of Activities

Explanation	Amount
1. To zero out prior year balances in cash with fiscal agent at the governmental fund level	\$ (9,950)
2. To correct construction in progress for noncapitalized costs included in prior year balance	(12,945)
3. To correct capital assets for land that was purchased in a prior year	18,099
Total	<u>\$ (4,796)</u>

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

Fund	Explanation	Amount
Other governmental funds	To zero out prior year balances in cash with fiscal agent	\$ (9,950)
Total		<u>\$ (9,950)</u>

MADISON COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2011

**Note 11 – Risk Management**

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

**Note 12 – Qualified 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 at 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., entered into such an arrangement dated July 20, 2000.

This agreement established a method of repayment for a qualified interest-free debt instrument. The agreement required 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 was sufficient to retire the debt. The debt was retired on July 20, 2010.

**Note 13 – Qualified School Construction Bonds**

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2010 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs.

The school district makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2011 was \$60,000. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2012	\$ 60,000
2013	60,000
2014	231,300
2015	231,300
2016	231,300
2017 – 2021	1,156,500
2022 – 2025	<u>925,177</u>
Total	<u>\$ 2,895,577</u>

MADISON COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

**Note 14 - Insurance loss recoveries**

The Madison County School District received \$37,000 in insurance loss recoveries related to fire damages caused by arson during the 2010-2011 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as other general revenues.

**REQUIRED SUPPLEMENTAL INFORMATION**

**MADISON COUNTY SCHOOL DISTRICT  
Required Supplemental Information**

**Budgetary Comparison Schedule  
General Fund  
For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 41,054,844	\$ 42,274,296	\$ 42,274,296	\$ 1,219,452	\$ 0
State sources	37,251,745	40,377,324	40,377,324	3,125,579	0
Federal sources	239,380	331,239	331,239	91,859	0
<b>Total Revenues</b>	<b>78,545,969</b>	<b>82,982,859</b>	<b>82,982,859</b>	<b>4,436,890</b>	<b>0</b>
<b>Expenditures:</b>					
Instruction	44,422,525	40,595,126	40,595,126	3,827,399	0
Support services	29,334,997	27,283,760	27,283,760	2,051,237	0
Facilities acquisition and construction	1,000,000			1,000,000	0
Debt service:					
Principal	14,197	153,199		(139,002)	153,199
Interest	568	23,451	23,451	(22,883)	0
<b>Total Expenditures</b>	<b>74,772,287</b>	<b>68,055,536</b>	<b>67,902,337</b>	<b>6,716,751</b>	<b>153,199</b>
Excess (Deficiency) of Revenues over (under) Expenditures	3,773,682	14,927,323	15,080,522	11,153,641	153,199
<b>Other Financing Sources (Uses):</b>					
Insurance recovery		37,000	37,000	37,000	0
Sale of other property		31,900	31,900	31,900	0
Operating transfers in	2,593,525	2,812,362	505,818	218,837	(2,306,544)
Other financing sources		67	67	67	0
Operating transfers out	(4,282,625)	(3,853,671)	(1,069,120)	428,954	2,784,551
<b>Total Other Financing Sources (Uses)</b>	<b>(1,689,100)</b>	<b>(972,342)</b>	<b>(494,335)</b>	<b>716,758</b>	<b>478,007</b>
<b>Net Change in Fund Balances</b>	<b>2,084,582</b>	<b>13,954,981</b>	<b>14,586,187</b>	<b>11,870,399</b>	<b>631,206</b>
<b>Fund Balances:</b>					
July 1, 2010, as originally reported	9,705,183	11,095,424	11,094,955	1,390,241	(469)
Prior period adjustments		12,240,802		12,240,802	(12,240,802)
July 1, 2010, as restated	9,705,183	23,336,226	11,094,955	13,631,043	(12,241,271)
Residual equity transfer in (out)		(11,763,264)		(11,763,264)	11,763,264
<b>June 30, 2011</b>	<b>\$ 11,789,765</b>	<b>\$ 25,527,943</b>	<b>\$ 25,681,142</b>	<b>\$ 13,738,178</b>	<b>\$ 153,199</b>

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

**MADISON COUNTY SCHOOL DISTRICT**  
**Required Supplemental Information**

**Budgetary Comparison Schedule**  
**Sixteenth Section Interest Fund**  
**For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Sixteenth section sources	\$ 567,481	\$ 1,321,125	\$ 1,321,125	\$ 753,644	\$ 0
Total Revenues	567,481	1,321,125	1,321,125	753,644	0
<b>Expenditures:</b>					
Sixteenth section	56,789	142,716	142,716	(85,927)	0
Total Expenditures	56,789	142,716	142,716	(85,927)	0
Excess (Deficiency) of Revenues over (under) Expenditures	510,692	1,178,409	1,178,409	667,717	0
<b>Other Financing Sources (Uses):</b>					
Operating transfers in		53,341	53,341	53,341	0
Total Other Financing Sources (Uses)	0	53,341	53,341	53,341	0
Net Change in Fund Balances	510,692	1,231,750	1,231,750	721,058	0
<b>Fund Balances:</b>					
July 1, 2010,	10,119,684	10,020,356	10,020,356	(99,328)	0
June 30, 2011	\$ 10,630,376	\$ 11,252,106	\$ 11,252,106	\$ 621,730	\$ 0

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

MADISON COUNTY SCHOOL DISTRICT

Notes to the Required Supplemental Information  
For the Year Ended June 30, 2011

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

**SUPPLEMENTAL INFORMATION**

**MADISON COUNTY SCHOOL DISTRICT**  
Supplemental Information

**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2011**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 421,324
National school lunch program	10.555	2,052,269
Total child nutrition cluster		2,473,593
Fresh Fruit and Vegetable Program	10.582	8,314
Total passed-through Mississippi Department of Education		2,481,907
<b>Total U.S. Department of Agriculture</b>		2,481,907
<b><u>U.S. Department of Defense</u></b>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	200,053
<b>Total U.S. Department of Defense</b>		200,053
<b><u>Federal Communications Commission</u></b>		
Administered through the Universal Service Administrative Company: The schools and libraries program of the universal service fund		
<b>Total Federal Communications Commission</b>	32.xxx	308,637
<b><u>U.S. Department of Education</u></b>		
Passed-through Mississippi Department of Education:		
Career and technical education - basic grants to states	84.048	80,509
Rehabilitation services_vocational rehabilitation grants to states	84.126	1,806
Safe and drug-free schools and communities- state grants	84.186	6,975
Education technology state grants	84.318	9,126
English language acquisition grants	84.365	45,240
Improving Teacher Quality State Grants	84.367	376,633
ARRA - Education Technology State Grants, Recovery Act	84.386	18,410
Education Jobs Fund	84.410	2,107,258
Subtotal		2,645,957
Title I cluster:		
Title I grants to local educational agencies	84.010	949,101
ARRA - Title I grants to local educational agencies, Recovery Act	84.389	281,081
Total Title I cluster		1,230,182
Special education cluster:		
Special education - grants to states	84.027	1,972,161
Special education - preschool grants	84.173	71,185
ARRA - Special education grants to states, Recovery Act	84.391	543,187
ARRA - Special education - preschool grants, Recovery Act	84.392	37,192
Total special education cluster		2,623,725
State Fiscal Stabilization Fund cluster:		
ARRA - State Fiscal Stabilization Fund - Education state grants, Recovery Act	84.394	2,821,944
Total State Fiscal Stabilization Fund cluster		2,821,944
Total passed-through Mississippi Department of Education		9,321,808
<b>Total U.S. Department of Education</b>		9,321,808
<b><u>U.S. Department of Health and Human Services</u></b>		
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	18,899
Total passed-through Mississippi Department of Education		18,899
<b>Total U.S. Department of Health and Human Services</b>		18,899
<b>Total for All Federal Awards</b>		\$ 12,331,304

**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  
Supplemental Information**

**Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
For the Year Ended June 30, 2011**

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 62,954,439	52,162,276	1,466,682	5,016,258	4,309,223
Other	79,933,296	6,962,686	678,445	212,926	72,079,239
Total	<u>\$ 142,887,735</u>	<u>59,124,962</u>	<u>2,145,127</u>	<u>5,229,184</u>	<u>76,388,462</u>
Total number of students *	<u>11,741</u>				
Cost per student	<u>\$ 12,170</u>	<u>5,036</u>	<u>183</u>	<u>445</u>	<u>6,506</u>

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

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

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

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

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

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

OTHER INFORMATION

**MADISON COUNTY SCHOOL DISTRICT**  
Other Information

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

	2011	2010*	2009*	2008*
<b>Revenues:</b>				
Local sources	\$ 42,274,296	\$ 40,453,630	\$ 38,612,550	\$ 37,222,318
State sources	40,377,324	41,608,571	44,797,209	43,854,950
Federal sources	331,239	24,220	237,602	195,587
<b>Total Revenues</b>	<b>82,982,859</b>	<b>82,086,421</b>	<b>83,647,361</b>	<b>81,272,855</b>
<b>Expenditures:</b>				
Instruction	40,595,126	44,321,074	46,446,763	45,066,838
Support services	27,283,760	28,081,360	26,576,200	25,055,902
Facilities acquisition and construction		312,604	113,011	305,921
Debt service:				
Interest	23,451	1,113	19,632	23,043
<b>Total Expenditures</b>	<b>67,902,337</b>	<b>72,716,151</b>	<b>73,155,606</b>	<b>70,451,704</b>
Excess (Deficiency) of Revenues over (under) Expenditures	15,080,522	9,370,270	10,491,755	10,821,151
<b>Other Financing Sources (Uses):</b>				
Bonds and notes issued				1,664,178
Insurance recovery	37,000	247,678	5,040	
Sale of easements				80,200
Sale of transportation equipment		30,517		
Sale of other property	31,900	12,500		
Operating transfers in	505,818	31,750	6,909	18,674
Other financing sources	67	19,777		
Operating transfers out	(1,069,120)	(15,128,782)	(11,411,217)	(10,279,703)
Other financing uses		(5,251)		
<b>Total Other Financing Sources (Uses)</b>	<b>(494,335)</b>	<b>(14,791,811)</b>	<b>(11,399,268)</b>	<b>(8,516,651)</b>
<b>Net Change in Fund Balances</b>	<b>14,586,187</b>	<b>(5,421,541)</b>	<b>(907,513)</b>	<b>2,304,500</b>
<b>Fund Balances:</b>				
Beginning of period, as originally reported	11,094,955	16,488,076	17,212,942	14,908,442
Prior period adjustments		28,420	182,647	
Beginning of period, as restated	11,094,955	16,516,496	17,395,589	14,908,442
<b>End of Period</b>	<b>\$ 25,681,142</b>	<b>\$ 11,094,955</b>	<b>\$ 16,488,076</b>	<b>\$ 17,212,942</b>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**MADISON COUNTY SCHOOL DISTRICT**

**Other Information**

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

**All Governmental Funds**

**Last Four Years**

**UNAUDITED**

	2011	2010*	2009*	2008*
<b>Revenues:</b>				
Local sources	\$ 61,401,892	\$ 58,496,383	\$ 56,307,950	\$ 54,662,228
Intermediate sources			500	
State sources	42,984,766	44,001,033	47,298,636	46,355,215
Federal sources	12,368,179	11,332,061	6,152,114	5,931,092
Sixteenth section sources	1,453,059	2,299,638	942,702	1,384,666
<b>Total Revenues</b>	<b>118,207,896</b>	<b>116,129,115</b>	<b>110,701,902</b>	<b>108,333,201</b>
<b>Expenditures:</b>				
Instruction	50,421,382	53,013,911	51,032,060	49,352,315
Support services	32,106,705	31,867,555	30,679,805	27,908,151
Noninstructional services	4,660,396	4,353,224	3,862,871	3,444,276
Sixteenth section	171,476	172,606	678,108	175,165
Facilities acquisition and construction	36,625,160	12,057,926	19,791,471	7,944,913
Debt service:				
Principal	13,877,447	11,033,517	9,088,214	9,010,000
Interest	4,896,834	3,839,849	4,395,046	4,588,158
Debt Issuance cost				87,490
Other	128,335	159,432	98,235	28,319
<b>Total Expenditures</b>	<b>142,887,735</b>	<b>116,498,020</b>	<b>119,625,810</b>	<b>102,538,787</b>
Excess (Deficiency) of Revenues over (under) Expenditures	(24,679,839)	(368,905)	(8,923,908)	5,794,414
<b>Other Financing Sources (Uses):</b>				
Proceeds of general obligation bonds	29,000,000	32,000,000		
Proceeds of refunding bonds			8,005,000	7,460,000
Premiums on debt issuance				85,594
Proceeds of loans				1,664,178
Insurance loss recoveries	37,000	247,678	5,040	
Sale of transportation equipment		30,517		
Sale of other property	31,900	12,500		
Sale of easements				80,200
Operating transfers in	2,809,381	18,114,697	14,327,380	10,552,389
Payment to an escrow agent	60,000		165,000	220,000
Other financing sources	15,104	46,434		
Operating transfers out	(2,809,381)	(18,114,697)	(14,327,380)	(10,552,389)
Discount on issuance of bonds			(7,550)	
Payment to refunded bond escrow agent			(7,894,177)	(7,458,104)
Transfer to escrow agent	(60,000)		(165,000)	(220,000)
Other financing uses		(5,251)	(21,742)	
<b>Total Other Financing Sources (Uses)</b>	<b>29,084,004</b>	<b>32,331,878</b>	<b>86,571</b>	<b>1,831,868</b>
<b>Net Change in Fund Balances</b>	<b>4,404,165</b>	<b>31,962,973</b>	<b>(8,837,337)</b>	<b>7,626,282</b>
<b>Fund Balances:</b>				
Beginning of period, as originally reported	87,483,005	55,465,724	64,142,581	56,517,600
Prior period adjustments	(9,950)	28,670	182,647	
Beginning of period, as restated	<b>87,473,055</b>	<b>55,494,394</b>	<b>64,325,228</b>	<b>56,517,600</b>
Increase (Decrease) in reserve for inventory	(6,254)	25,638	(22,167)	(1,301)
<b>End of Period</b>	<b>\$ 91,870,966</b>	<b>\$ 87,483,005</b>	<b>\$ 55,465,724</b>	<b>\$ 64,142,581</b>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



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**INDEPENDENT AUDITOR'S REPORT  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF 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 Madison County School District as of and for the year ended June 30, 2011, which collectively comprise Madison County School District's basic financial statements and have issued our report thereon dated January 10, 2012. 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

Management of Madison County School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the school district's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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.

Watkins, Ward, and Stafford, PLLC  
Jackson, Mississippi  
January 10, 2012



**WATKINS, WARD AND STAFFORD**

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**INDEPENDENT AUDITOR'S REPORT**

**ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT  
ON EACH MAJOR FEDERAL PROGRAM AND ON 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The Madison County School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

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 Madison County School District's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a

deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the school board and management, others within the entity, 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.

Watkins, Ward, and Stafford, PLLC  
Jackson, Mississippi  
January 10, 2012



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



**WATKINS, WARD AND STAFFORD**

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**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, 2011, which collectively comprise Madison County School District's basic financial statements and have issued our report thereon dated January 10, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$236,365 of classroom supply funds carried over from previous years.

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

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

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

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

Watkins, Ward and Stafford, PLLC  
Jackson, Mississippi  
January 10, 2012

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

MADISON COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- |   |               |
|---|---------------|
| 4. Internal control over major programs:  |               |
| a. Material weakness identified?  | No            |
| b. Significant deficiency identified?   | None reported |
| 5. Type of auditor's report issued on compliance for major programs:  | Unqualified   |
| 6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | No            |

7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.394	ARRA – State Fiscal Stabilization Fund – Education State Grants, Recovery Act
84.410	Education Jobs Fund
84.027; 84.173; 84.391; 84.392	Special Education Cluster

- |   |            |
|---|------------|
| 8. Dollar threshold used to distinguish between type A and type B programs:   | \$ 369,939 |
| 9. Auditee qualified as low-risk auditee?   | No         |
| 10. Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133. | No         |

MADISON COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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