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**Cleveland School District**  
**Audited Financial Statements**  
**For the Year Ended June 30, 2014**

**Bridgers & Goodman, PLLC**  
**Certified Public Accountants**  
**Vicksburg, Mississippi**

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**INDEPENDENT AUDITOR'S REPORT**



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MEMBERS OF  
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AMERICAN INSTITUTE OF CPA'S

## **INDEPENDENT AUDITOR'S REPORT**

### **Superintendent and School Board Cleveland School District**

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cleveland School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Cleveland School District's basic financial statements as listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Cleveland School District, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis beginning on page 6 and the budgetary comparison information beginning on page 45 be presented to supplement the basic financial statements. Such information, although not a part of basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cleveland School District's financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required the Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures of Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances-General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund-Balances-All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures of Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

The other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances-General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances-All Governmental Funds, Last Four Years has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2015, on our consideration of the Cleveland 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 in considering Cleveland School District's internal control over financial reporting and compliance.

*Bridgers & Goodman, PLLC*

Bridgers & Goodman, PLLC  
Certified Public Accountants  
Vicksburg, Mississippi  
February 18, 2015

**CLEVELAND SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Cleveland School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2014

The following discussion and analysis of Cleveland School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2014. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

**FINANCIAL HIGHLIGHTS**

- Total net position for 2014 increased \$882,146, including a prior period adjustment of (\$37,359), which represents a 14% increase from the 2013 fiscal year. Total net position for 2013 increased \$121,783, which represents a 2% increase from the 2012 fiscal year.
- General revenues amounted to \$26,673,186 and \$23,787,723, or 83% and 76% of all revenues for fiscal years 2014 and 2013, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5,618,844 or 17% of total revenues for 2014, and \$7,329,406, or 24% of total revenues for 2013.
- The District had \$31,372,525 and \$30,995,346 in expenses for fiscal years 2014 and 2013; only \$5,618,844 for 2014 and \$7,329,406 for 2013 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$26,673,186 for 2014 and \$23,787,723 for 2013 were adequate to provide for these programs.
- Among major funds, the General Fund had \$25,356,837 in revenues and \$24,398,854 in expenditures for 2014, and \$24,014,932 in revenues and \$23,158,464 in expenditures in 2013. The General Fund's fund balance increased by \$848,522, which includes a prior period adjustment of (\$37,359), from 2013 to 2014 and decreased by \$55,978 from 2012 to 2013.
- Capital assets, net of accumulated depreciation, increased by \$703,005 for 2014 and increased by \$18,554 for 2013. The increase for 2014 was due to the net effect of a \$1,138,385 addition of assets coupled with the gain on disposal of \$1,219 less the increase in accumulated depreciation of \$434,161.
- Long-term debt increased by \$122,292 for 2014 and increased by \$535,599 for 2013. The increase for 2014 was due primarily to the net effect of capital lease issuance and principal payments on outstanding long-term debt. In addition, the liability for compensated absences decreased by \$93,556 for 2014 and increased by \$36,786 for the fiscal year 2013.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances. These statements consist of the Statement of Net Position and the Statement of Activities, which are prepared using the flow of economic resources measurement focus and the accrual

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basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, non-instructional, sixteenth section 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, readers may better understand the long-term impact of the District's current financing decisions. The governmental fund's Balance Sheet is reconciled to the Statement of Net Position, and the governmental fund's 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 fund's Balance Sheet and in the governmental fund's Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All other 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

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

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

The financial statements include two schedules that reconcile the amounts reported on the governmental funds financial statements (modified actual 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 governmental funds 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 Supplementary Information**

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

**Supplementary Information**

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

**Other Information**

Additionally, 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

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presented for purposes of additional analysis as required by the Mississippi Department of Education.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net position**

Net position may serve over time as a useful indicator of District's financial position. Assets and deferred outflows of resources exceeded liabilities by \$7,387,399 as of June 30, 2014.

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

Table 1 presents a summary of the District's net position for the fiscal years ended June 30, 2014 and June 30, 2013.

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

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage</u> <u>Change</u>
Current assets	\$ 6,979,191	6,187,350	12.80%
Restricted assets	1,751,753	1,899,711	-7.79%
Capital assets, net	9,308,019	8,605,014	8.17%
<b>Total assets</b>	<b>18,038,963</b>	<b>16,692,075</b>	<b>8.07%</b>
<b>Deferred outflows of resources</b>	<b>26,360</b>	<b>0</b>	<b>100.00%</b>
Current liabilities	977,709	537,734	81.82%
Long-term debt outstanding	9,700,215	9,649,088	0.53%
<b>Total liabilities</b>	<b>10,677,924</b>	<b>10,186,822</b>	<b>4.82%</b>
<b>Net position:</b>			
Net investment in capital assets	1,280,135	526,521	143.13%
Restricted	1,698,718	2,688,040	-36.80%
Unrestricted	4,408,546	3,290,692	33.97%
<b>Total net position</b>	<b>\$ 7,387,399</b>	<b>6,505,253</b>	<b>13.56%</b>

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

- Increase in net capital assets in the amount of \$703,005.
- The principal retirement of \$641,296 of long-term debt.
- Issuing \$757,989 in capital leases.

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2014 and June 30, 2013 were \$32,292,030 and \$31,117,129, respectively. The total cost of all programs and services was \$31,372,525 for 2014 and \$30,995,346 for 2013.

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Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2014 and June 30, 2013.

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

	<u>Year Ended</u> <u>June 30, 2014</u>	<u>Year Ended</u> <u>June 30, 2013</u>	<u>Percentage</u> <u>Change</u>
<b>Revenues:</b>			
Program revenues			
Charges for services	\$ 505,696	628,702	-19.57%
Operating grants and contributions	5,113,148	6,700,704	-23.69%
<b>General revenues:</b>			
Property taxes	10,055,162	9,050,825	11.10%
Grants and contributions not restricted	16,287,728	14,479,795	12.49%
Investment earnings	17,355	22,924	-24.29%
Sixteenth section sources	297,308	171,561	73.30%
Other	15,633	62,618	-75.03%
<b>Total revenues</b>	<u><b>32,292,030</b></u>	<u><b>31,117,129</b></u>	<b>3.78%</b>
<b>Expenses:</b>			
Instruction	17,067,198	17,094,895	-0.16%
Support services	11,926,393	11,553,466	3.23%
Non-instructional	2,057,012	2,125,201	-3.21%
Sixteenth section	62,168	43,420	43.18%
Interest on long-term liabilities	259,754	178,364	45.63%
<b>Total expenses</b>	<u><b>31,372,525</b></u>	<u><b>30,995,346</b></u>	<b>1.22%</b>
<b>Increase in net position</b>	<u><b>919,505</b></u>	<u><b>121,783</b></u>	<b>655.04%</b>
<b>Net Position, July 1, as previously reported</b>	<u><b>6,505,253</b></u>	<u><b>6,383,470</b></u>	<b>1.91%</b>
<b>Prior Period Adjustment</b>	<u><b>(37,359)</b></u>	<u><b>0</b></u>	<b>100.00%</b>
<b>Net Position, July 1, as restated</b>	<u><b>6,467,894</b></u>	<u><b>6,383,470</b></u>	<b>1.32%</b>
<b>Net Position, June 30</b>	<u><u><b>\$ 7,387,399</b></u></u>	<u><u><b>6,505,253</b></u></u>	<b>13.56%</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 shows the financial burden that was placed on the State and District's taxpayers by each of these functions.

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

	<u>Total Expenses</u>		Percentage
	2014	2013	Change
Instruction	\$ 17,067,198	17,094,895	-0.16%
Support services	11,926,393	11,553,466	3.23%
Non-instructional	2,057,012	2,125,201	-3.21%
Sixteenth section	62,168	43,420	43.18%
Interest on long-term liabilities	259,754	178,364	45.63%
<b>Total expenses</b>	<b>\$ 31,372,525</b>	<b>30,995,346</b>	<b>1.22%</b>
	<u>Net (Expense) Revenue</u>		
	2014	2013	Change
Instruction	\$ (14,151,018)	(13,297,093)	6.42%
Support services	(10,545,843)	(9,744,276)	8.23%
Non-instructional	(734,898)	(402,787)	82.45%
Sixteenth section	(62,168)	(43,420)	43.18%
Interest on long-term liabilities	(259,754)	(178,364)	45.63%
<b>Total net (expense) revenue</b>	<b>\$ (25,753,681)</b>	<b>(23,665,940)</b>	<b>8.82%</b>

- Net cost of governmental activities, \$25,753,681 for 2014 and \$23,665,940 for 2013 was financed by general revenue, which is made up of primarily property taxes of \$10,055,162 for 2014 and \$9,050,825 for 2013 and state and federal revenues of \$16,287,728 for 2014 and \$14,479,795 for 2013. In addition, there was \$297,308 and \$171,561 in Sixteenth Section sources for 2014 and 2013, respectively.
- Investment earnings amounted to \$17,355 for 2014 and \$22,924 for 2013.

**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 \$7,851,961, an increase of \$302,728, which includes a prior period adjustment of (\$37,359) and a decrease in inventory of \$14,389. \$5,627,032 or 72% 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

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**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2014**

fund balance of \$2,224,929 or 28% 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.

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 \$848,522, which includes a prior period adjustment of (\$37,359). The fund balance of Other Governmental Funds showed an increase in the amount of \$55,526 which includes a decrease in reserve for inventory of \$14,389. The other increases (decreases) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
QSCB Construction Bond Fund	(\$601,320)
Title I Part A Fund	\$ 0

**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. Beginning fund balance was adjusted to actual between the original and final budgets.

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 supplementary information.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

As of June 30, 2014, the District's total capital assets were \$17,381,108, including land, school buildings, building improvements, improvements other than buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$1,016,447 from 2013. Total accumulated depreciation as of June 30, 2014, was \$8,073,089, and total depreciation expense for the year was \$434,161, resulting in total net capital assets of \$9,308,019.

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

	June 30, 2014	June 30, 2013	Percentage Change
Land	\$ 111,036	111,036	0.00%
Construction in progress	330,569	3,967,181	-91.67%
Buildings	6,516,404	2,748,953	137.05%
Building improvements	820,143	840,973	-2.48%
Improvements other than buildings	37,558	39,058	-3.84%
Mobile equipment	727,052	827,469	-12.14%
Furniture and equipment	84,172	70,344	19.66%
Leased property under capital leases	681,085	0	N/A
Total	\$ 9,308,019	8,605,014	8.17%

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

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**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2014**

**Debt Administration**

At June 30, 2014, the District had \$9,700,215 in outstanding long-term debt, of which \$638,858 is due within one year. The liability for compensated absences at June 30, 2014 was \$247,085, a decrease of \$93,556 from the prior year. The District maintains an AA bond rating.

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

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
Limited obligation bonds payable	\$ 1,780,000	2,110,000	-15.64%
Three mill notes payable	325,000	485,000	-32.99%
Qualified school construction bonds payable	6,741,437	6,741,437	0.00%
Obligations under capital lease	606,693	0	N/A
Compensated absences payable	247,085	340,641	-27.46%
<b>Total</b>	<b>\$ 9,700,215</b>	<b>9,677,078</b>	<b>0.24%</b>
Less deferred bond costs		(27,990)	-100.00%
	<b>\$ 9,700,215</b>	<b>9,649,088</b>	<b>0.53%</b>

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

**CURRENT ISSUES**

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

The District has committed itself to financial excellence for many years. The District's system of financial planning, budgeting and internal 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 local, state and federal revenues.

The District is developing and maintaining a comprehensive facility study and plan to use it as a guide for future improvements.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report, contact the Superintendent's Office of the Cleveland School District, 305 Merritt Drive, Cleveland, MS 38732.

**FINANCIAL STATEMENTS**

Cleveland School District

**Statement of Net Position**

**Exhibit A**

June 30, 2014

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 6,119,249
Due from other governments	821,354
Inventories	25,920
Prepaid items	12,568
Other receivables	100
Restricted assets	1,751,753
Capital assets, non-depreciable:	
Land	111,036
Construction in progress	330,569
Capital assets, net of accumulated depreciation:	
Buildings	6,516,404
Building improvements	820,143
Improvements other than buildings	37,558
Mobile equipment	727,052
Furniture and equipment	84,172
Leased property under capital leases	681,085
<b>Total Assets</b>	<b>18,038,963</b>
 <b>Deferred Outflows of Resources</b>	
Deferred charges	26,360
<b>Total deferred outflows of resources</b>	<b>26,360</b>
 <b>Liabilities</b>	
Accounts payable and accrued liabilities	858,549
Unearned revenue	24,303
Other payables	100
Interest payable on long-term liabilities	94,757
Long-term liabilities, due within one year	
Capital related liabilities	638,858
Non-capital related liabilities	
Long-term liabilities, due beyond one year	
Capital related liabilities	7,814,272
Non-capital related liabilities	1,247,085
<b>Total Liabilities</b>	<b>10,677,924</b>
 <b>Net Position</b>	
Net investment in capital assets	1,280,135
Restricted for:	
Expendable:	
School-based activities	167,346
Debt service	1,024,097
Forestry improvements	146
Unemployment benefits	74,288
Non-expendable:	
Sixteenth section	432,841
Unrestricted	4,408,546
<b>Total Net Position</b>	<b>\$ 7,387,399</b>

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

Cleveland School District

Statement of Activities

For the Year Ended June 30, 2014

Exhibit B

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction	\$ 17,067,198	\$ 308,475	\$ 2,607,705	\$ (14,151,018)
Support services	11,926,393		1,380,550	(10,545,843)
Non-instructional	2,057,012	197,221	1,124,893	(734,898)
Sixteenth section	62,168			(62,168)
Interest and other costs on long term liabilities	259,754			(259,754)
<b>Total Governmental Activities</b>	<b>\$ 31,372,525</b>	<b>\$ 505,696</b>	<b>\$ 5,113,148</b>	<b>(25,753,681)</b>
General Revenues:				
Taxes:				
General purpose levies				9,788,321
Debt purposes levies				266,841
Unrestricted grants and contributions:				
State				15,718,291
Federal				569,437
Unrestricted investment earnings				17,355
Sixteenth section sources				297,308
Other				15,633
<b>Total General Revenues</b>				<b>26,673,186</b>
<b>Change in Net Position</b>				<b>919,505</b>
Net Position - Beginning, as previously reported				6,505,253
Prior period adjustments				(37,359)
Net Position - Beginning , as restated				6,467,894
<b>Net Position - Ending</b>				<b>\$ 7,387,399</b>

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

**Cleveland School District  
Governmental Funds**

**Balance Sheet  
June 30, 2014**

**Exhibit C**

	<b>Major Funds</b>				<b>Total Governmental Funds</b>
	<b>General Fund</b>	<b>QSCB Construction Bond Fund</b>	<b>Title I Part A</b>	<b>Other Governmental Funds</b>	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 5,593,383	\$ 554,469	\$ 64,001	\$ 760,589	\$ 6,972,442
Investments				898,560	898,560
Due from other governments	282,510		81,838	399,379	763,727
Other receivables				100	100
Advances to other funds	20,000				20,000
Due from other funds	338,369				338,369
Inventories				25,920	25,920
Prepaid items	12,568				12,568
<b>Total Assets</b>	<b>6,246,830</b>	<b>554,469</b>	<b>145,839</b>	<b>2,084,548</b>	<b>9,031,686</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	567,130	155,583	40,481	95,355	858,549
Due to other funds			105,358	195,384	300,742
Unearned revenue				20,334	20,334
Other payables	100				100
<b>Total Liabilities</b>	<b>567,230</b>	<b>155,583</b>	<b>145,839</b>	<b>311,073</b>	<b>1,179,725</b>
<b>Fund Balances:</b>					
<b>Nonspendable</b>					
Inventory				25,920	25,920
Permanent fund principal				432,841	432,841
Prepaid items	12,568				12,568
Advances	20,000				20,000
<b>Restricted</b>					
Unemployment benefits				74,288	74,288
Capital projects		398,886			398,886
Forestry improvements				146	146
Debt service				1,118,854	1,118,854
<b>Committed</b>					
Other commitments - program operations				120,787	120,787
<b>Assigned</b>					
Special activity	20,000			639	20,639
Unassigned	5,627,032				5,627,032
<b>Total Fund Balances</b>	<b>5,679,600</b>	<b>398,886</b>	<b>-</b>	<b>1,773,475</b>	<b>7,851,961</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 6,246,830</b>	<b>\$ 554,469</b>	<b>\$ 145,839</b>	<b>\$ 2,084,548</b>	<b>\$ 9,031,686</b>

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

Cleveland School District

Governmental Funds

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2014

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 7,851,961
Amounts reported for governmental activities in the Statement of Net Position are different because:	
1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$8,073,089.	9,308,019
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(9,677,824)
3. Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Position recognizes interest as it accrues.	(94,757)
Total Net Position - Governmental Activities	<u>\$ 7,387,399</u>

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

Cleveland School District  
Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended June 30, 2014

Exhibit D

	Major Funds				Total Governmental Funds
	General Fund	QSCB Construction Bond Fund	Title I Part A	Other Governmental Funds	
Revenues:					
Local sources	\$ 9,564,007	\$ 1,740		\$ 597,018	\$ 10,162,765
Intermediate sources	\$ 13,200				13,200
State sources	15,678,349			908,604	16,586,953
Federal sources	101,281		1,298,117	3,829,971	5,229,369
Sixteenth section sources				297,309	297,309
Total Revenues	<u>25,356,837</u>	<u>1,740</u>	<u>1,298,117</u>	<u>5,632,902</u>	<u>32,289,596</u>
Expenditures:					
Instruction	14,297,979		677,465	2,215,047	17,190,491
Support services	9,940,149	272,491	526,739	1,372,289	12,111,668
Noninstructional services	160,726		55,400	1,934,891	2,151,017
Sixteenth section				62,168	62,168
Facilities acquisitions & construction		330,569			330,569
Debt service:					
Principal				641,296	641,296
Interest				183,201	183,201
Other				6,350	6,350
Total Expenditures	<u>24,398,854</u>	<u>603,060</u>	<u>1,259,604</u>	<u>6,415,242</u>	<u>32,676,760</u>
Excess (Deficiency) of Revenues over Expenditures	<u>957,983</u>	<u>(601,320)</u>	<u>38,513</u>	<u>(782,340)</u>	<u>(387,164)</u>
Other Financing Sources (Uses):					
Capital leases issued	757,989				757,989
Sale of other property	3,651				3,651
Operating transfers in	338,597			1,152,339	1,490,936
Operating transfers out	(1,152,339)		(38,513)	(300,084)	(1,490,936)
Other financing uses	(20,000)				(20,000)
Total Other Financing Sources (Uses)	<u>(72,102)</u>	<u>-</u>	<u>(38,513)</u>	<u>852,255</u>	<u>741,640</u>
Net Change in Fund Balances	<u>885,881</u>	<u>(601,320)</u>	<u>-</u>	<u>69,915</u>	<u>354,476</u>
Fund Balances:					
July 1, 2013, as previously reported	4,831,078	1,000,206		1,717,949	7,549,233
Prior period adjustments	(37,359)				(37,359)
July 1, 2013, as restated	<u>4,793,719</u>	<u>1,000,206</u>	<u>-</u>	<u>1,717,949</u>	<u>7,511,874</u>
Decrease in reserve for inventory				(14,389)	(14,389)
June 30, 2014	<u>\$ 5,679,600</u>	<u>\$ 398,886</u>	<u>\$ -</u>	<u>\$ 1,773,475</u>	<u>\$ 7,851,961</u>

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

**Cleveland School District**  
**Governmental Funds**

<b>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, 2014</b>	<u>Exhibit D-1</u>
	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ 354,476
Amounts reported for governmental activities in the Statement of Activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$1,138,385 and the depreciation expense amounted to \$434,161.	704,224
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 resource. Thus, the change in net position differs from the change in fund balance by the cost of the assets sold.	(1,219)
3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when the debt is first issued. These amounts are deferred and amortized in the statement of activities.	
Capital leases issued	(757,989)
Payment of debt principal	641,296
Amortization of deferred charges	(9,249)
Accrued interest payable	<u>(64,602)</u>
	(190,544)
4. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:	
Compensated absences	93,556
Amortization of deferred charges	(26,599)
Change in inventory reserve	<u>(14,389)</u>
Change in Net Position of Governmental Activities	<u>\$ 919,505</u>

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

Cleveland School District

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities  
June 30, 2014

Exhibit E

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 397,534
Total Assets	<u>397,534</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	337,291
Due to other funds	37,627
Due to student clubs	2,616
Advances	<u>20,000</u>
Total Liabilities	<u>\$ 397,534</u>

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

**Cleveland School District**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2014**

**NOTE 1      Summary of Significant Accounting Policies**

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

**A.      Financial Reporting Entity**

As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is a related organization of, but not a component unit of, the City of Cleveland since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

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

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

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

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

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

**Cleveland School District**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2014**

3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

QSCB Construction Bond Fund – This fund accounts for and reports financial resources that are restricted for capital outlays of the QSCB Construction Bond.

Title I Part A Fund - This fund accounts for the resources and expenditures of federal revenues for specific purposes.

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

The District also reports fiduciary funds include the following:

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

Student Club Funds – These funds account for the monies earned 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 payables outstanding at year end.

**Cleveland School District**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2014**

Additionally, the school district reports the following fund types:

**GOVERNMENTAL FUNDS**

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

Capital Projects Funds - Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures 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 expenditures for principal, interest.

Permanent Funds - Permanent Funds are used to account for 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.

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

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

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

**Cleveland School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2014**

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

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there 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 2012 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.

**Cleveland School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2014**

**D. Encumbrances**

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

**E. Assets, liabilities, deferred outflows/inflows and net position/fund balances**

1. Cash and Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

Activity 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.

**Cleveland School District**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2014**

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 a 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 Position 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.

6. Capital Assets

Capital assets include 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 governmental column in the government-wide Statement of Net Position. Capital asserts 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.

**Cleveland School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2014**

The following schedule details the capitalization thresholds:

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

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

7. Deferred outflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The deferred outflows of resources are deferred charges on bond issues.

8. Compensated Absences

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

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

**Cleveland School District**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2014**

9. 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.

10. 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 receivables, or property held for resale unless the proceeds are restricted, committed or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

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

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

**Cleveland School District**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2014**

*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 expenditures are 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 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 districts' 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 surplus 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 deposits and interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interests in, and any open-end or closed-end any management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and

**Cleveland School District  
Notes to the Financial Statements  
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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. Amounts less than \$100 can be credited to the General Fund. C

**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 \$6,972,442 and \$397,534, respectively. A portion of this amount, \$1,181,743, is presented as restricted assets on Exhibit A. The carrying amount of deposits reported in government-wide statements was: \$6,119,249.

*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, 2014, none of the district's bank balance of \$8,791,776 was exposed to custodial credit risk.

**Investments**

As of June 30, 2014, the district had the following investments with fiscal agents.

Investment	Rating	Maturity	Fair Value
Hancock Bank – Federated US Treasury Cash Reserve	US Treasury Deposit	Various	\$172,967
Trustmark Bank – U.S. Government Securities	US Treasury Deposit	Various	\$445,591
Bank Plus – U.S. Government Securities	US Treasury Deposit	Various	\$280,002
<b>Total Investments</b>			<b>\$898,560</b>

*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

**Cleveland School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2014**

not have a formal investment policy that addresses custodial credit risk. Of the district's investments none of the underlying securities are held by the investment's counterparty, not in the name of the district.

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

**NOTE 3 Inter-fund Receivables, Payables, and Transfers**

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

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

Receivable Fund	Payable Fund	Amount
General fund	Title I - Part A	105,358
General fund	Other governmental	195,384
General fund	Fiduciary funds	37,627
Total		\$ 338,369

The purpose of the most significant inter-fund loans was to close out federal programs at year end. All interfund receivables and payables are expected to be repaid within one year.

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

Receivable Fund	Payable Fund	Amount
General Fund	Fiduciary Funds	\$ 20,000
Total		\$ 20,000

Advances were for cash flow purposes.

**Cleveland School District  
Notes to the Financial Statements  
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**C. Inter-fund Transfers**

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
Title I Part A	General fund	\$ 38,513
Other governmental funds	General fund	300,084
General fund	Other governmental funds	1,152,339
Total		<u>\$ 1,490,936</u>

Inter-fund transfers were to provide funds for daily operations. All inter-fund transfers were routine and consistent with the activities of the fund making the transfer.

**NOTE 4 Restricted Assets**

The restricted assets represent the cash balance totaling \$437,201 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 in the amount of \$3,120 of the QSCB debt service fund.

In addition, the restricted assets represent the cash and investments balance in the amount of \$13,986 and \$172,967, respectively, of the MAEP Limited Obligation Bond/Note Fund.

In addition, the restricted assets represent the cash balance in the amount of \$398,886 of the unspent Qualified School Construction Bond proceeds and investments in the amount of \$725,593 which represents the amounts on deposit in the QSCB sinking fund.

**Cleveland School District**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2014**

**NOTE 5 Capital Assets**

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

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>		<u>Balance</u> <u>June 30, 2014</u>
Non-depreciable capital assets:					
Land	\$ 111,036				\$ 111,036
Construction in progress	3,967,181	\$ 330,569		(3,967,181)	330,569
Total non-depreciable capital assets	<u>4,078,217</u>	<u>330,569</u>	<u>-</u>	<u>(3,967,181)</u>	<u>441,605</u>
Depreciable capital assets:					
Buildings	7,488,140			3,967,181	11,455,321
Building improvements	1,095,726				1,095,726
Improvement other than buildings	112,238				112,238
Mobile equipment	2,709,898		5,064		2,704,834
Furniture and equipment	880,442	94,638	116,874		858,206
Leased property under capital lease		713,178			713,178
Total depreciable capital assets	<u>12,286,444</u>	<u>807,816</u>	<u>121,938</u>	<u>3,967,181</u>	<u>16,939,503</u>
Less accumulated depreciation:					
Buildings	4,739,187	199,730			4,938,917
Building improvements	254,753	20,830			275,583
Improvement other than buildings	73,180	1,500			74,680
Mobile equipment	1,882,429	100,366	5,013		1,977,782
Furniture and equipment	810,098	79,642	115,706		774,034
Leased property under capital lease		32,093			32,093
Total accumulated depreciation	<u>7,759,647</u>	<u>434,161</u>	<u>120,719</u>	<u>-</u>	<u>8,073,089</u>
Total depreciable capital assets, net	<u>4,526,797</u>	<u>373,655</u>	<u>1,219</u>	<u>3,967,181</u>	<u>8,866,414</u>
Governmental activities capital assets, net	<u>\$ 8,605,014</u>	<u>\$ 704,224</u>	<u>\$ 1,219</u>	<u>\$ -</u>	<u>\$ 9,308,019</u>

Depreciation expense was charged to the following governmental functions:

<u>Governmental Activities</u>	<u>Amount</u>
Instruction	\$ 246,616
Support services	151,431
Non-instructional	36,114
Total depreciation expense	<u>\$ 434,161</u>

**Cleveland School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2014**

Construction in progress is composed of:

Governmental Activities:	Spent to June 30, 2014	Remaining Commitment
Additions and Renovations	\$ 330,569	\$ 149,464
Total	<u>\$ 330,569</u>	<u>\$ 149,464</u>

Construction projects included in governmental activities are funded from Qualified School Construction Bonds.

**NOTE 6 Long-term Liabilities**

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

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Amounts due within one year
A Limited obligation bonds payable	\$ 2,110,000		\$ 330,000	\$ 1,780,000	\$ 335,000
B Three mill notes payable	485,000		160,000	325,000	160,000
C Qualified school construction bond payable	6,741,437			6,741,437	
D Obligations under capital leases		757,989	151,296	606,693	143,858
E Compensated absences payable	340,641		93,556	247,085	-
Total	<u>9,677,078</u>	<u>757,989</u>	<u>734,852</u>	<u>9,700,215</u>	<u>638,858</u>

**A. Limited obligation bonds payable**

Limited obligation bonds are direct obligations and pledge the full faith and credit of the school district.

Limited obligation bonds currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement bonds, Series 2009	4.90%	07/01/09	02/01/18	3,155,000	1,780,000
Total				<u>\$ 3,155,000</u>	<u>\$ 1,780,000</u>

**Cleveland School District  
Notes to the Financial Statements  
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The following is a schedule by years of the total payments due on this debt:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 335,000	\$ 47,918	\$ 382,918
2016	345,000	38,555	383,555
2017	355,000	28,055	383,055
2018	745,000	17,255	762,255
Total	<u>\$ 1,780,000</u>	<u>\$ 131,783</u>	<u>\$ 1,911,783</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 MAEP Retirement Fund (Debt Service Fund).

**B. Three mill-ten notes payable.**

Debt Currently outstanding as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Limited tax notes, Series 2010	1.75-2.25%	11/12/2010	11/1/2015	780,000	325,000
Total				<u>\$ 780,000</u>	<u>\$ 325,000</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 160,000	\$ 6,913	\$ 166,913
2016	165,000	3,711	168,711
Total	<u>\$ 325,000</u>	<u>\$ 10,624</u>	<u>\$ 335,624</u>

**C. Qualified school construction bonds payable**

As more fully explained in Note 12, debt has been issued by the school district that qualifies as Qualified School Construction bonds.

**Cleveland School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2014**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Trustmark Bank limited tax note, Series 2010	0.36%	11/19/2010	12/1/2024	\$ 1,771,437	\$ 1,771,437
Bankplus limited tax note, Series 2012	0.00%	3/20/2012	3/15/2027	3,970,000	3,970,000
Trustmark Bank limited tax note, Series 2013	0.00%	6/18/2013	6/15/2028	1,000,000	1,000,000
Total				<u>\$ 6,741,437</u>	<u>\$ 6,741,437</u>

**D. Obligations under capital lease**

The school district has entered into a lease agreement as lessee for financing the acquisition of technology upgrades and band equipment at the cost of \$713,718 and \$44,811, respectively. These leases qualify as capital leases for accounting purposes.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Brocade lease purchase	5.99%	7/15/2013	3/15/2018	713,718	571,916
Band equipment	5.99%	8/15/2013	8/15/2017	44,811	34,777
Total				<u>\$ 758,529</u>	<u>\$ 606,693</u>

**Cleveland School District  
Notes to the Financial Statements  
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The following is a schedule by years of the total payments due on these leases:

Brocade lease purchase

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 135,907	\$ 19,397	\$ 155,304
2016	140,517	14,788	155,305
2017	145,282	10,022	155,304
2018	150,210	5,094	155,304
Total	<u>\$ 571,916</u>	<u>\$ 49,301</u>	<u>\$ 621,217</u>

Band equipment

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 7,951	\$ 2,083	\$ 10,034
2016	8,427	1,607	10,034
2017	8,932	1,102	10,034
2018	9,467	567	10,034
Total	<u>\$ 34,777</u>	<u>\$ 5,359</u>	<u>\$ 40,136</u>

**E. Compensated absences payable**

As more fully explained in Note 1 (E) (8), compensated absences payables 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 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

**Cleveland School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2014**

rate for fiscal year ended June 30, 2014 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2014, 2013 and 2012 were \$2,727,769, \$2,512,268 and \$2,178,153, respectively, which equaled the required contributions for each year.

**NOTE 8      Sixteenth Section Lands**

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

<u>Year Ending June 30</u>	<u>Amount</u>
2015	\$ 122,396
2016	100,976
2017	70,726
2018	70,726
2019	69,966
Thereafter	<u>1,680,412</u>
Total	<u>\$ 2,115,202</u>

**Cleveland School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2014**

**NOTE 9      Prior Period Adjustments**

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

Exhibit B - Statement of Activities

Explanation	Amount
To correct prior period accruals.	\$ (37,359)
Total	<u>\$ (37,359)</u>

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

Fund	Explanation	Amount
General Fund	To correct prior period accruals.	\$ (37,359)
Total		<u>\$ (37,359)</u>

**NOTE 10      Contingencies**

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

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

**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. Except as described below, the district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Participation in Public Entity Risk Pool**

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 90 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers'

**Cleveland School District**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2014**

Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. This district has not had an additional assessment for excess losses incurred by the pool.

**NOTE 12      Qualified School Construction Bonds**

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

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

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, 2014 was \$725,593. In addition, there was \$398,886 of unspent bond proceeds at June 30, 2014. The amount in the sinking fund at the end of the 15 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.

**Cleveland School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2014**

Series 2010

<u>Year Ending June 30</u>	<u>Amount</u>
2015	\$ 126,531
2016	126,531
2017	126,531
2018	126,531
2019	126,531
2020-2024	632,655
2025-2029	126,531
Total	<u>\$ 1,391,841</u>

Series 2012

<u>Year Ending June 30</u>	<u>Amount</u>
2015	\$ 140,000
2016	140,000
2017	310,000
2018	310,000
2019	310,000
2020-2024	1,550,000
2025-2027	930,000
Total	<u>\$ 3,690,000</u>

Series 2013

<u>Year Ending June 30</u>	<u>Amount</u>
2015	\$ 66,000
2016	66,000
2017	66,000
2018	66,000
2019	67,000
2020-2024	402,000
2025-2028	201,000
Total	<u>\$ 934,000</u>

**Cleveland School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2014**

Total All Series	
Year Ending June 30	Amount
2015	\$ 332,531
2016	332,531
2017	502,531
2018	502,531
2019	503,531
2020-2024	2,584,655
2025-2028	1,257,531
Total	\$ 6,015,841

**NOTE 13      Subsequent Events**

Events that occur after the statement of net position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net position date require disclosure in the accompanying notes. Management of the Cleveland Public School District evaluated the activity of the district through February 18, 2015, and determined that the following subsequent events have occurred that require disclosure in the notes to the financial statements:

On October 9, 2014, the district resolved to participate in a Lease Revenue Certificate of Participation (Master Lease Program for School Districts Series 2014A) for the purposes of acquiring equipment through lease purchase in the amount of \$764,295 to be repaid over 7 years at an interest rate of 3.82% with First Southwest Leasing Company.

**CLEVELAND SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION**

**Cleveland School District**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 9,195,747	\$ 9,564,007	\$ 9,564,007	\$ 368,260	\$ -
Intermediate sources		13,200	13,200	13,200	-
State sources	15,498,253	15,678,349	15,678,349	180,096	-
Federal sources	235,000	101,281	101,281	(133,719)	-
Total Revenues	<u>24,929,000</u>	<u>25,356,837</u>	<u>25,356,837</u>	<u>427,837</u>	<u>-</u>
<b>Expenditures:</b>					
Instruction	14,032,658	14,297,979	14,297,979	(265,321)	-
Support services	10,082,429	9,940,149	9,940,149	142,280	-
Noninstructional services	119,815	160,726	160,726	(40,911)	-
Total Expenditures	<u>24,234,902</u>	<u>24,398,854</u>	<u>24,398,854</u>	<u>(163,952)</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>694,098</u>	<u>957,983</u>	<u>957,983</u>	<u>263,885</u>	<u>-</u>
<b>Other Financing Sources (Uses):</b>					
Capital leases issued		757,989	757,989	757,989	-
Sale of other property		3,651	3,651	3,651	-
Operating transfers in	96,609	338,597	338,597	241,988	-
Operating transfers out	2,813,000	(1,152,339)	(1,152,339)	(3,965,339)	-
Other financing uses	(3,958,034)	(20,000)	(20,000)	3,938,034	-
Total Other Financing Sources (Uses)	<u>(1,048,425)</u>	<u>(72,102)</u>	<u>(72,102)</u>	<u>976,323</u>	<u>-</u>
Net Change in Fund Balances	<u>(354,327)</u>	<u>885,881</u>	<u>885,881</u>	<u>1,240,208</u>	<u>-</u>
<b>Fund Balances:</b>					
July 1, 2013, as previously reported	4,675,150	4,831,078	4,831,078	155,928	-
Prior period adjustments		(37,359)	(37,359)	(37,359)	-
July 1, 2013, as restated	<u>4,675,150</u>	<u>4,793,719</u>	<u>4,793,719</u>	<u>118,569</u>	<u>-</u>
June 30, 2014	<u>\$ 4,320,823</u>	<u>\$ 5,679,600</u>	<u>\$ 5,679,600</u>	<u>\$ 1,358,777</u>	<u>\$ -</u>

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

**Cleveland School District**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**Title I Fund**  
**For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 1,574,758	\$ 1,298,117	\$ 1,298,117	\$ (276,641)	\$ -
Total Revenues	<u>1,574,758</u>	<u>1,298,117</u>	<u>1,298,117</u>	<u>(276,641)</u>	<u>-</u>
Expenditures:					
Instruction	846,085	677,465	677,465	168,620	-
Support services	613,813	526,739	526,739	87,074	-
Noninstructional services	77,986	55,400	55,400	22,586	-
Total Expenditures	<u>1,537,884</u>	<u>1,259,604</u>	<u>1,259,604</u>	<u>278,280</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>36,874</u>	<u>38,513</u>	<u>38,513</u>	<u>1,639</u>	<u>-</u>
Other Financing Sources (Uses):					
Operating transfers out	(36,874)	(38,513)	(38,513)	(1,639)	-
Total Other Financing Sources (Uses)	<u>(36,874)</u>	<u>(38,513)</u>	<u>(38,513)</u>	<u>(1,639)</u>	<u>-</u>
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2013	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
June 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**CLEVELAND SCHOOL DISTRICT**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**

**Cleveland School District**  
**Notes to the Required Supplementary Information**  
**For the Year Ended June 30, 2014**

Budgetary Comparison Schedules

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

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

**CLEVELAND SCHOOL DISTRICT**

**SUPPLEMENTARY INFORMATION**

**Cleveland School District**

**Supplementary Information**

**Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2014**

<b>Federal Grantor/ Pass-through Grantor/ Program Title</b>	<b>Catalog of Federal Domestic Assistance Number</b>	<b>Federal Expenditures</b>
<b><u>U.S. Department of Agriculture</u></b>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
National school breakfast program	10.553	\$ 477,281
National school lunch program	10.555	\$ 1,442,407
Summer food service program for children	10.559	2,438
Total child nutrition cluster		<u>1,922,126</u>
Total U.S. Department of Agriculture Pass-Through Programs		<u>1,922,126</u>
<b><u>Federal Communications Commission</u></b>		
Administered through the Universal Service Administrative Company:		
School Libraries Program of the Universal Service Fund	32.XXX	90,091
Total Federal Communications Commission		<u>90,091</u>
<b><u>U.S. Department of Education</u></b>		
Direct program:		
Magnet school assistance	84.165	<u>537,133</u>
Passed-through Mississippi Department of Education:		
Special education cluster:		
Special education - grants to states	84.027	801,293
Special education - preschool grants	84.173	21,575
Total special education cluster		<u>822,868</u>
Other programs		
Title I - Grants to local educational agencies	* 84.010	1,434,470
Career and technical education - basic grants to states	84.048	43,350
Gaining early awareness and readiness for undergraduate programs	84.334	21,114
Rural education	84.358	71,773
Improving teacher quality state grants	* 84.367	262,397
Total		<u>1,833,104</u>
Total U.S. Department of Education		<u>3,193,105</u>
<b><u>U.S. Department of Health and Human Services</u></b>		
Passed-through Mississippi Department of Medicaid:		
Children's health insurance program	93.767	12,857
Medical assistance program	93.778	11,190
Total U.S. Department of Health and Human Services		<u>24,047</u>
<b>Total for All Federal Awards</b>		<u>\$ 5,229,369</u>

NOTES TO SCHEDULE

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

**Cleveland School District**  
**Supplementary Information**

**Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds**  
**For the Year Ended June 30, 2014**

<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	\$ 23,735,813	\$ 17,815,891	\$ 1,049,483	\$ 2,071,132	\$ 2,799,307
Other	8,940,947	2,550,896	464,944	22,460	5,902,647
Total	<u>\$ 32,676,760</u>	<u>\$ 20,366,787</u>	<u>\$ 1,514,427</u>	<u>\$ 2,093,592</u>	<u>\$ 8,701,954</u>
Total number of students *	<u>3,415</u>				
Cost per student	<u>\$ 9,569</u>	<u>\$ 5,964</u>	<u>\$ 443</u>	<u>\$ 613</u>	<u>\$ 2,549</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. (all the 1000, 2100, & 2200 functional codes).

**General Administration** - includes expenditures for the following functions: Support Services - General Administration (2300s); and Support Services - Business (2500s).

**School Administration** - includes expenditures for the following function: Support Services - School Administration (2400s).

**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.

**CLEVELAND SCHOOL DISTRICT**

**OTHER INFORMATION**

**Cleveland School District**

**Other Information**

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

**General Fund**

**Last Four Years**

**"UNAUDITED"**

	<u>2014</u>	<u>2013 *</u>	<u>2012 *</u>	<u>2011 *</u>
Revenues:				
Local sources	\$ 9,564,007	\$ 9,349,828	\$ 8,995,940	\$ 8,599,467
Intermediate sources	13,200			
State sources	15,678,349	14,467,889	14,060,422	13,096,456
Federal sources	101,281	197,215	207,162	218,534
Total Revenues	<u>25,356,837</u>	<u>24,014,932</u>	<u>23,263,524</u>	<u>21,914,457</u>
Expenditures:				
Instruction	14,297,979	13,806,746	13,147,166	12,319,137
Support services	9,940,149	9,217,473	8,483,560	8,352,654
Noninstructional services	160,726	134,245	112,247	142,094
Debt Service:				
Principal				153,411
Interest			2,470	9,480
Total Expenditures	<u>24,398,854</u>	<u>23,158,464</u>	<u>21,745,443</u>	<u>20,976,776</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>957,983</u>	<u>856,468</u>	<u>1,518,081</u>	<u>937,681</u>
Other Financing Sources (Uses):				
Insurance recovery				2,484
Capital leases issued	757,989			
Sale of other property	3,651		2,428	
Operating transfers in	338,597	180,885	434,346	583,981
Operating transfers out	(1,152,339)	(1,093,331)	(1,001,030)	(809,125)
Other financing uses	(20,000)			
Total Other Financing Sources (Uses)	<u>(72,102)</u>	<u>(912,446)</u>	<u>(564,256)</u>	<u>(222,660)</u>
Net Change in Fund Balances	<u>885,881</u>	<u>(55,978)</u>	<u>953,825</u>	<u>715,021</u>
Fund Balances:				
Beginning of period, as previously reported*	4,831,078	4,887,056	3,933,231	3,218,210
Prior period adjustments	<u>(37,359)</u>			
Beginning of period, as restated	4,793,719	4,887,056	3,933,231	3,218,210
End of Period	<u>\$ 5,679,600</u>	<u>\$ 4,831,078</u>	<u>\$ 4,887,056</u>	<u>\$ 3,933,231</u>

\* SOURCE - PRIOR YEAR AUDIT REPORTS

**Cleveland School District**

**Other Information**

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

**All Governmental Funds**

**Last Four Years**

**"UNAUDITED"**

	<u>2014</u>	<u>2013 *</u>	<u>2012 *</u>	<u>2011 *</u>
Revenues:				
Local sources	\$ 10,162,765	\$ 9,765,071	\$ 9,369,656	\$ 9,046,903
Intermediate sources	13,200			
State sources	16,586,953	15,359,388	14,987,004	14,046,146
Federal sources	5,229,369	5,821,109	7,728,793	8,762,944
Sixteenth section sources	297,309	171,561	154,761	173,763
Total Revenues	<u>32,289,596</u>	<u>31,117,129</u>	<u>32,240,214</u>	<u>32,029,756</u>
Expenditures:				
Instruction	17,190,491	17,023,384	17,440,692	17,653,065
Support services	12,111,668	11,571,879	10,659,155	12,445,748
Noninstructional services	2,151,017	2,149,298	2,137,953	2,084,679
Sixteenth section	62,168	43,420	46,946	44,011
Facilities acquisitions & construction	330,569		3,680,957	880,750
Debt service:				
Principal	641,296	470,000	455,000	608,411
Interest	183,201	178,857	92,830	90,105
Other	6,350	2,500	17,223	999
Total Expenditures	<u>32,676,760</u>	<u>31,439,338</u>	<u>34,530,756</u>	<u>33,807,768</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(387,164)</u>	<u>(322,209)</u>	<u>(2,290,542)</u>	<u>(1,778,012)</u>
Other Financing Sources (Uses):				
Proceeds of refunding bonds		1,000,000		
Bonds and notes issued			3,970,000	2,551,437
Capital leases issued	757,989			
Insurance recovery				2,484
Sale of other property	3,651		2,428	
Operating transfers in	1,490,936	1,274,216	1,435,400	1,393,106
Operating transfers out	(1,490,936)	(1,274,216)	(1,435,400)	(1,393,106)
Other financing uses	(20,000)			
Total Other Financing Sources (Uses)	<u>741,640</u>	<u>1,000,000</u>	<u>3,972,428</u>	<u>2,553,921</u>
Net Change in Fund Balances	<u>354,476</u>	<u>677,791</u>	<u>1,681,886</u>	<u>775,909</u>
Fund Balances:				
Beginning of period, as previously reported*	7,549,233	6,878,561	5,198,154	4,403,213
Prior period adjustments	(37,359)			
Beginning of period, as restated	<u>7,511,874</u>	<u>6,878,561</u>	<u>5,198,154</u>	<u>4,403,213</u>
Increase (Decrease) in reserve for inventory	<u>(14,389)</u>	<u>(7,119)</u>	<u>(1,479)</u>	<u>19,032</u>
End of Period	<u>\$ 7,851,961</u>	<u>\$ 7,549,233</u>	<u>\$ 6,878,561</u>	<u>\$ 5,198,154</u>

\* SOURCE - PRIOR YEAR AUDIT REPORTS

CLEVELAND SCHOOL DISTRICT

**REPORTS ON INTERNAL CONTROL AND COMPLIANCE**



DAVID I. BRIDGERS, JR., CPA  
L. KARL GOODMAN, CPA, MBA

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

Superintendent and School Board  
Cleveland School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cleveland School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Cleveland School District's basic financial statements, and have issued our report thereon dated February 18, 2015.

**Internal Control Over Financial Reporting**

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

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

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

## Compliance and Other Matters

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

## Purpose of this Report

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

*Bridgers & Goodman, PLLC*

Bridgers & Goodman, PLLC

Certified Public Accountants

Vicksburg, Mississippi

February 18, 2015



DAVID I. BRIDGERS, JR., CPA  
L. KARL GOODMAN, CPA, MBA

MEMBERS OF  
MISSISSIPPI SOCIETY OF CPA'S  
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; REQUIRED BY OMB CIRCULAR A-133**

Superintendent and School Board  
Cleveland School District

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

We have audited Cleveland School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Cleveland School District's major federal programs for the year ended June 30, 2014. Cleveland 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.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Cleveland School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 Cleveland School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Cleveland School District's compliance.

### **Basis for Qualified Opinion on Improving Teacher Quality State Grants Program**

As described in the accompanying schedule of findings and questioned costs, Cleveland School District did not comply with requirements regarding CFDA 84.367 Improving Teacher Quality State Grants as described in finding number 2014-001 for Level of Effort: Supplement not Supplant. Compliance with such requirements is necessary, in our opinion, for Cleveland School District to comply with the requirements applicable to that program.

### **Qualified Opinion on Improving Teacher Quality State Grants Program**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Cleveland School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Improving Teacher Quality State Grant program for the year ended June 30, 2014.

### **Unmodified Opinion on the Other Major Federal Program**

In our opinion, Cleveland School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2014.

### **Other Matters**

The results of our auditing procedures disclosed another instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2014-002. Our opinion on the other major federal program is not modified with respect to this matter.

Cleveland School District's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. Cleveland School District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

### **Report on Internal Control Over Compliance**

Management of the Cleveland School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Cleveland School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Cleveland School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2014-001 and 2014-002 to be material weaknesses.

Cleveland School District's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. Cleveland School District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Bridgers & Goodman, PLLC*

Bridgers & Goodman, PLLC  
Certified Public Accountants  
Vicksburg, Mississippi  
February 18, 2015

**CLEVELAND SCHOOL DISTRICT**

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



DAVID I. BRIDGERS, JR., CPA  
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MEMBERS OF  
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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board  
Cleveland School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cleveland School District as of and for the year ended June 30, 2014, which collectively comprise Cleveland School District's basic financial statements and have issued our report thereon dated February 18, 2015. 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 did not report any 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 disclosed an instance of noncompliance with other state laws and regulations reported in the accompanying Schedule of Findings and Questioned Costs as item 2014-1.

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

*Bridgers & Goodman, PLLC*

Bridgers & Goodman, PLLC  
Certified Public Accountants  
Vicksburg, Mississippi  
February 18, 2015

**CLEVELAND SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Cleveland School District  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2014**

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

Financial Statements:

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

Federal Awards:

- |    |  |  |
|----|--|--|
| 4. | Internal control over major programs:  |  |
|    | a. Material weakness (es) identified?  | Yes  |
|    | b. Significant deficiency (ies) identified?  | None reported                                  |
| 5. | Type of auditor's report issued on compliance for major programs:  |  |
|    | 84.010 Title I – grants to local educational agencies  | Unmodified                                     |
|    | 84.367 Improving teacher quality state grants  | Qualified                                      |
| 6. | Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | Yes  |
| 7. | Identification of major programs:  |  |
|    | <u>CFDA Numbers</u>  | <u>Name of Federal Program or Cluster</u>      |
|    |  | Other programs:                                |
|    | 84.010   | Title I – grants to local educational agencies |
|    | 84.367   | Improving teacher quality state grants         |
| 8. | Dollar threshold used to distinguish between type A and type B programs:   | \$300,000                                      |

9. Auditee qualified as low-risk auditee? Yes

**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**

**Material Weakness - material noncompliance:**

**Finding: 2014 – 001**

**Programs:** Improving Teacher Quality State Grants- CFDA#84.367

**Compliance Requirement:** Matching, Level of Effort, Earmarking  
*Level of Effort: Supplement Not Supplant*

During the course testing and inquiry, it came to our attention that a finding by the Mississippi Department of Education (MDE) during its federal programs monitoring visit pertaining to Improving Teacher Quality had not been addressed by the District. The MDE reviewed the student teacher ratios for Class Size Reduction and found Title II, Part A funds were supplanting state and local funds at an elementary school location where the District funded student teacher ratio was 47.6:1. Accreditation Standard 28 of the *Mississippi Public School Accountability Standards* requires student teacher ratios not to exceed 27:1 in the first grade. The finding resulted in questioned costs in the amount of \$108,397.60 which in turn was requested to be reimbursed to State.

**Recommendation:**

The District must develop policies and procedures where responsible personnel can, during the normal course of performing their assigned functions, prevent, or detect, and correct calculations of student teacher ratios on a timely basis to ensure federal funds are used to supplement and not supplant state and local funds.

**Material Weakness –immaterial noncompliance:**

**Finding: 2014 – 002**

**Programs:** Title I Grants to Local Educational Agencies- CFDA#84.010  
Improving Teacher Quality State Grants- CFDA#84.367

**Compliance Requirement:** Suspension and Debarment

Non-Federal entities are prohibited from contracting with or making sub-awards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred.

'Covered transactions' include those procurement contracts for goods and services awarded under a non-procurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other specified criteria. 2 CFR section 180.220 of the government-wide non-procurement debarment and suspension guidance contains those additional limited circumstances.

During our dual-purpose test work pertaining to suspension and debarment, we examined fifteen items and made inquiries of responsible personnel and found no verification of vendor suspension or debarment was being performed.

**Recommendation:**

When a non-federal entity enters into a covered transaction with an entity, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300). The information contained in the EPLS is available in printed and electronic formats. The printed version is published monthly. Copies may be obtained by purchasing a yearly subscription from the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402, or by calling the Government Printing Office Inquiry and Order Desk at (202) 783-3238. The electronic version can be accessed at [epls.arnet.gov](http://epls.arnet.gov).



Office of the Superintendent

## Cleveland School District

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CLEVELAND, MISSISSIPPI 38732  
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(662) 843-3529 - Office  
(662) 843-9731 - Fax

### AUDITEE'S CORRECTIVE ACTION PLAN

February 18, 2015

Bridgers & Goodman, PLLC  
3528 Manor Drive  
Vicksburg, MS 39180

Gentlemen:

As required by Section 315(a) and (c) of OMB Circular A-133, the Cleveland School District has prepared and hereby submits the following corrective action plans for the findings included in the Schedule of Findings and Questioned Cost for the year ended June 30, 2014:

#### Finding 2014 - 1

a. Corrective Action Planned:

The Cleveland School District mis-identified two Class Size Reduction Teachers in the FY 2014 Title II funding year. We have reviewed the records and identified the correct teachers who were eligible for funding as Class Size Reduction supplemental teacher units for the same fiscal year. The Mississippi Department of Education (MDE) has recognized the error, reviewed the district calculations of eligible teachers units, and will reallocate the funds to our Title II fund as carryover funds to be spent in FY 2015. The district will amend the FY 2014 Title II budget to expend the funds in accordance with federal guidelines.

Policies and procedures will be reviewed and updated to allow responsible personnel to effectively identify eligible teachers, monitor teacher/student ratio calculations, and provide for timely corrections.

b. Anticipated Completion Date:

Immediate review and implementation

c. Name of Contact Person Responsible for Corrective Action:

Name: Dr. Jacquelyn Thigpen, Cindy Holtz, and Angela Harris  
Title: Superintendent, Business Manager, Federal Programs Director, respectively  
Phone: (662) 843-3529

**Finding 2014 – 2**

a. Corrective Action Planned:

Management will review and implement policies and procedures in which school employees responsible for verifying that the purchases made from entities which meet the compliance criteria are not suspended or debarred or otherwise excluded. School employees will be informed how verification may be accomplished by checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

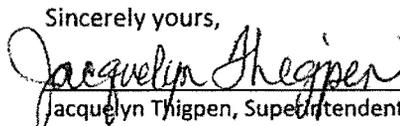
b. Anticipated Completion Date:

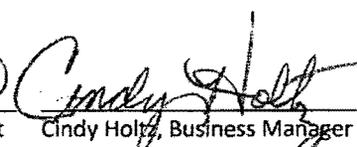
Immediate review and implementation

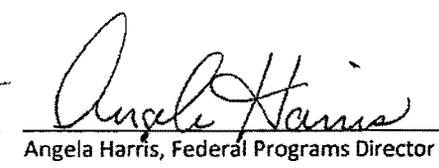
c. Name of Contact Person Responsible for Corrective Action:

Name: Dr. Jacquelyn Thigpen, Cindy Holtz, and Angela Harris  
Title: Superintendent, Business Manager, Federal Programs Director, respectively  
Phone: (662) 843-3529

Sincerely yours,

  
Jacquelyn Thigpen, Superintendent

  
Cindy Holtz, Business Manager

  
Angela Harris, Federal Programs Director