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**Clinton Public School District**

Audited Financial Statements  
For the Year Ended June 30, 2014

**Fortenberry & Ballard, PC**  
Certified Public Accountants

**Clinton Public School District  
TABLE OF CONTENTS**

	PAGE #
INDEPENDENT AUDITOR’S REPORT ON THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION .....	4
MANAGEMENT’S DISCUSSION AND ANALYSIS .....	8
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-wide Financial Statements	
Exhibit A - Statement of Net Position .....	20
Exhibit B - Statement of Activities .....	21
Governmental Funds Financial Statements	
Exhibit C - Balance Sheet .....	22
Exhibit C-1 - Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position .....	23
Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances .....	24
Exhibit D-1 - Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities .....	25
Fiduciary Funds Financial Statements	
Exhibit E - Statement of Fiduciary Assets and Liabilities .....	26
Notes to the Financial Statements .....	28
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary Comparison Schedule - General Fund .....	54
Budgetary Comparison Schedule - Title I Fund .....	55
Budgetary Comparison Schedule - Sixteenth Section Interest Fund .....	56
Notes to the Required Supplementary Information .....	58
<b>SUPPLEMENTARY INFORMATION</b>	
Schedule of Expenditures of Federal Awards .....	60
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds .....	61
<b>OTHER INFORMATION</b>	
Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years .....	63
Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years .....	64
<b>REPORTS ON INTERNAL CONTROL AND COMPLIANCE</b>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	66
Independent Auditor’s Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133 ..	68
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS .....	71
SCHEDULE OF FINDINGS AND QUESTIONED COSTS .....	74

## FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Clinton Public 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 Clinton Public School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Clinton Public 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 District'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 Clinton Public 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 and budgetary comparison information on pages 8 to 18 and 54 to 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Clinton Public School District's 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), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by 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 for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing

and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2014, on our consideration of the Clinton Public 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 Clinton Public School District's internal control over financial reporting and compliance.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC  
December 16, 2014

Certified Public Accountants

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The following discussion and analysis of Clinton Public 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 decreased \$1,794,855, which represents a 6% decrease from fiscal year 2013. Total net position for 2013 increased \$153,794, which represents a 1% increase from fiscal year 2012.
- General revenues amounted to \$34,650,258 and \$32,982,653, or 86% and 86% 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 \$5,728,592, or 14% of total revenues for 2014, and \$5,320,322, or 14% of total revenues for 2013.
- The District had \$42,173,705 and \$38,149,181 in expenses for fiscal years 2014 and 2013; only \$5,728,592 for 2014 and \$5,320,322 for 2013 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$34,650,258 for 2014 were not adequate to provide for these programs. However, \$32,982,653 for 2013 were adequate to provide for these programs.
- Among the major funds, the General Fund had \$31,801,594 in revenues and \$38,612,486 in expenditures for 2014, and \$30,562,518 in revenues and \$30,333,199 in expenditures for 2013. The General Fund's fund balance increased by \$1,063,771 from 2013 to 2014, and increased by \$1,009,354, from 2012 to 2013.
- Capital assets, net of accumulated depreciation, decreased by \$1,781,371 for 2014 and decreased by \$288,718 for 2013. The decrease for 2014 was primarily due to the selling of a building along with the disposal of mobile equipment.
- Long-term debt increased by \$904,723 for 2014 and decreased by \$1,349,510, for 2013. This increase for 2014 was due primarily to the inception of capital leases during the fiscal year. The liability for compensated absences decreased by \$6,765 for 2014 and decreased by \$6,656 for 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.

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

**Government-wide Financial Statements**

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

The Statement of Net Position presents information on all the District's nonfiduciary assets 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 and other costs 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.

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

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

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

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

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

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

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

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

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

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

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

**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**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Position**

Net position may serve over time as a useful indicator of the District's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$30,163,634 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 at June 30, 2014 and June 30, 2013.

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

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

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
Current assets	\$ 17,144,311	16,388,317	5%
Restricted assets	1,132,616	707,014	60%
Capital assets, net	<u>57,207,400</u>	<u>58,988,771</u>	-3%
<b>Total assets</b>	<u>75,484,327</u>	<u>76,084,102</u>	(1)%
<b>Deferred outflows of resources</b>	<u>0</u>	<u>530,069</u>	(100)%
Current liabilities	761,880	519,946	47%
Long-term debt outstanding	<u>44,558,813</u>	<u>44,047,171</u>	1%
<b>Total liabilities</b>	<u>45,320,693</u>	<u>44,567,117</u>	2%
<b>Deferred inflows of resources</b>	<u>0</u>	<u>88,565</u>	(100)%
<b>Net position:</b>			
Net investment in capital assets	12,913,503	15,654,785	(18)%
Restricted	6,371,101	6,194,574	3%
Unrestricted	<u>10,879,030</u>	<u>10,109,130</u>	8%
<b>Total net position</b>	<u>\$ 30,163,634</u>	<u>31,958,489</u>	(6)%

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

- Decrease in net capital assets in the amount of \$1,781,371.
- The principal retirement of \$3,347,035 of long-term debt.
- Inception of capital leases in the amount of \$4,251,758.

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2014 and June 30, 2013 were \$40,378,850 and \$38,302,975, respectively. The total cost of all programs and services was \$42,173,705 for 2014 and \$38,149,181 for 2013.

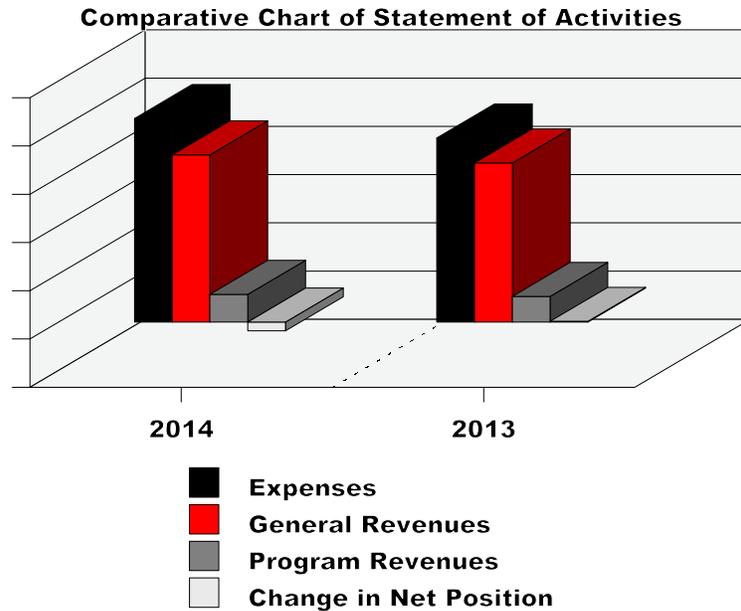
Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2014 and June 30, 2013.

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

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

	<u>Year Ended June 30, 2014</u>	<u>Year Ended June 30, 2013</u>	<u>Percentage Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 1,450,669	1,266,102	15%
Operating grants and contributions	4,277,923	4,054,220	6%
Total program revenues	<u>5,728,592</u>	<u>5,320,322</u>	8%
General revenues:			
Property taxes	14,064,732	13,391,898	5%
Grants and contributions not restricted	19,557,081	18,941,306	3%
Unrestricted investment earnings	40,857	62,618	(35)%
Sixteenth section sources	573,692	225,290	155%
Other	413,896	361,541	14%
Total general revenues	<u>34,650,258</u>	<u>32,982,653</u>	5%
<b>Total revenues</b>	<u>40,378,850</u>	<u>38,302,975</u>	5%
<b>Expenses:</b>			
Instruction	26,177,098	22,005,474	19%
Support services	12,680,657	12,813,979	(1)%
Non-instructional	1,919,478	1,977,613	(3)%
Sixteenth section	55,725	45,953	21%
Interest and other costs on long term liabilities	1,340,747	1,306,162	3%
<b>Total expenses</b>	<u>42,173,705</u>	<u>38,149,181</u>	11%
<b>Change in net position</b>	(1,794,855)	153,794	(1267)%
<b>Net Position, July 1</b>	<u>31,958,489</u>	<u>31,804,695</u>	0%
<b>Net Position, June 30</b>	<u>\$ 30,163,634</u>	<u>31,958,489</u>	(6)%

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



**Governmental activities**

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

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

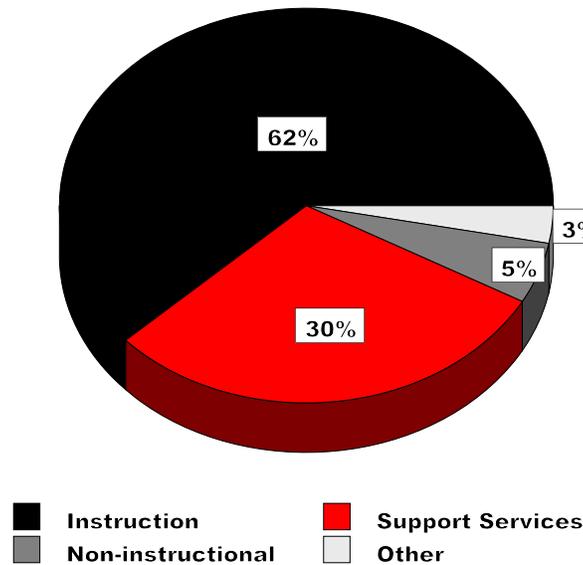
		<b>Total Expenses</b>		
		<u>2014</u>	<u>2013</u>	<u>Percentage Change</u>
Instruction	\$	26,177,098	22,005,474	19%
Support services		12,680,657	12,813,979	(1)%
Non-instructional		1,919,478	1,977,613	(3)%
Sixteenth section		55,725	45,953	21%
Interest and other costs on long term liabilities		1,340,747	1,306,162	3%
<b>Total expenses</b>	<b>\$</b>	<u><u>42,173,705</u></u>	<u><u>38,149,181</u></u>	<u><u>11%</u></u>

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

**Net (Expense) Revenue**

	<u>2014</u>	<u>2013</u>	<u>Percentage Change</u>
Instruction	\$ (22,918,393)	(19,107,102)	20%
Support services	(12,146,348)	(12,351,744)	(2)%
Non-instructional	16,100	(17,898)	(190)%
Sixteenth section	(55,725)	(45,953)	21%
Interest and other costs on long-term liabilities	(1,340,747)	(1,306,162)	3%
<b>Total net (expense) revenue</b>	<b>\$ (36,445,113)</b>	<b>(32,828,859)</b>	<b>11%</b>

**Chart of Expenses as per Statement of Activities**



- Net cost of governmental activities (\$36,445,113 for 2014 and \$32,828,859 or 2013) was financed by general revenue, which is primarily made up of property taxes (\$14,064,732 for 2014 and \$13,391,898 for 2014) and state and federal revenues of (\$19,557,081 for 2014 and \$18,941,306 for 2013). In addition, there was \$573,692 and \$225,290 in Sixteenth Section sources for 2014 and 2013, respectively.
- Investment earnings amounted to \$40,857 for 2014 and \$62,618 for 2013.

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

**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 \$17,754,570, an increase of \$1,068,386, including a decrease in inventory of \$23,127. \$8,553,521, or 48% 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 or assigned to specific purposes within the general fund. The remaining fund balance of \$9,201,049 or 52% is either nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted 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 \$1,063,771. The fund balance of Other Governmental Funds showed a decrease in the amount of \$467,155, which includes a decrease for inventory of \$23,127. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
Sixteenth Section Interest Fund	\$ 471,770
Title I Fund	no increase or decrease

**BUDGETARY HIGHLIGHTS**

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District.

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

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

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2014, the District's total capital assets were \$78,425,734, including land, school buildings, improvements other than buildings, mobile equipment, buses, other school vehicles and furniture and equipment. This amount represents a decrease of \$137,765 from 2013. Total accumulated depreciation as of June 30, 2014, was \$21,218,334, and total depreciation expense for the year was \$2,063,794, resulting in total net capital assets of \$57,207,400.

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

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
Land	\$ 331,098	331,098	0%
Buildings	46,541,951	47,807,507	(3)%
Buildings improvements	215,432	227,863	(5)%
Improvements other than buildings	8,375,069	8,775,999	(5)%
Mobile equipment	1,478,221	1,406,391	5%
Furniture and equipment	265,629	439,913	(40)%
<b>Total</b>	<b>\$ <u>57,207,400</u></b>	<b><u>58,988,771</u></b>	<b>(3)%</b>

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

**Debt Administration.** At June 30, 2014, the District had \$44,558,813 in outstanding long-term debt, of which \$3,760,596 is due within one year. The liability for compensated absences decreased \$6,765 from the prior year. An item worth mentioning is the inception of capital leases in the amount of \$4,251,758 in capital leases in 2014.

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

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 33,500,000	35,305,000	(5)%
Premiums/Discounts	(386,316)	(441,504)	(13)%
Three mill notes payable	7,610,000	7,895,000	(4)%
Obligations under capital leases	3,570,213	575,490	520%
Compensated absences payable	264,916	271,681	(2)%
<b>Total</b>	<b>\$ <u>44,558,813</u></b>	<b><u>43,605,667</u></b>	<b>2%</b>

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

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

**CURRENT ISSUES**

The Clinton Public 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 financial controls is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

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

Enrollment for the 2013-2014 year increased by 4% to 4,860 students.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report, contact the Superintendent's Office of the Clinton Public School District, PO Box 300, Clinton, MS 39060.

## FINANCIAL STATEMENTS



**Clinton Public School District**  
Statement of Activities  
For the Year Ended June 30, 2014

**Exhibit B**

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
<b>Governmental Activities:</b>				
Instruction	\$ 26,177,098	775,685	2,483,020	(22,918,393)
Support services	12,680,657		534,309	(12,146,348)
Non-instructional	1,919,478	674,984	1,260,594	16,100
Sixteenth section	55,725			(55,725)
Interest and other costs on long term liabilities	1,340,747			(1,340,747)
<b>Total Governmental Activities</b>	<b>\$ 42,173,705</b>	<b>1,450,669</b>	<b>4,277,923</b>	<b>(36,445,113)</b>
<b>General Revenues:</b>				
Taxes:				
				10,994,109
				3,070,623
Unrestricted grants and contributions:				
				19,509,920
				47,161
				40,857
				573,692
				413,896
				<u>34,650,258</u>
				<u>(1,794,855)</u>
				<u>31,958,489</u>
				<u>\$ 30,163,634</u>

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

**Clinton Public School District**  
 Balance Sheet - Governmental Funds  
 June 30, 2014

**Exhibit C**

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Title I Fund	Sixteenth Section Interest Fund		
<b>Assets</b>					
Cash and cash equivalents	\$ 11,493,061		2,733,263	2,164,928	16,391,252
Cash with fiscal agents				10,631	10,631
Investments				1,022,301	1,022,301
Due from other governments	469,559	102,164	18,871	186,774	777,368
Other receivables, net	10,000			327	10,327
Due from other funds	224,516				224,516
Inventories				41,735	41,735
Prepaid items	22,214				22,214
<b>Total Assets</b>	<b>\$ 12,219,350</b>	<b>102,164</b>	<b>2,752,134</b>	<b>3,426,696</b>	<b>18,500,344</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	463,886	1,086	20,193	37,192	522,357
Due to other funds		101,078		122,339	223,417
<b>Total Liabilities</b>	<b>463,886</b>	<b>102,164</b>	<b>20,193</b>	<b>159,531</b>	<b>745,774</b>
<b>Fund Balances:</b>					
<b>Nonspendable</b>					
Inventory				41,735	41,735
Permanent fund principal				99,684	99,684
Prepaid items	22,214				22,214
<b>Restricted</b>					
Unemployment benefits				76,098	76,098
Forestry improvements				47,765	47,765
Debt service				2,691,438	2,691,438
Ad Valorem	589,304				589,304
Sixteenth section			2,731,941	8,453	2,740,394
Food service				301,992	301,992
<b>Assigned</b>					
Funding activity	2,000,000				2,000,000
Special activity	65,009				65,009
General activity	525,416				525,416
<b>Unassigned</b>	<b>8,553,521</b>				<b>8,553,521</b>
<b>Total Fund Balances</b>	<b>11,755,464</b>	<b>0</b>	<b>2,731,941</b>	<b>3,267,165</b>	<b>17,754,570</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 12,219,350</b>	<b>102,164</b>	<b>2,752,134</b>	<b>3,426,696</b>	<b>18,500,344</b>

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

**Clinton Public School District****Exhibit C-1**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2014

	<u>Amount</u>
Total Fund Balances For Governmental Funds	\$ 17,754,570
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 \$21,218,334.	57,207,400
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(44,945,129)
3. Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Position recognizes interest as it accrues.	(239,523)
4. Governmental funds recognize bond discounts on long-term debt when incurred, however the Statement of Net Position recognizes and accrues bond discounts over the life of the bonds.	463,810
5. Governmental funds recognize bond premiums on long-term debt when incurred, however the Statement of Net Position recognizes and accrues bond premiums over the life of the bonds.	(77,494)
Net Position Of Governmental Activities	\$ <u><u>30,163,634</u></u>

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

**Clinton Public School District**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2014

**Exhibit D**

	Major Funds				Total Governmental Funds
	General Fund	Title I Fund	Sixteenth Section Interest Fund	Other Governmental Funds	
<b>Revenues:</b>					
Local sources	\$ 12,203,173			3,766,982	15,970,155
State sources	19,545,348			839,852	20,385,200
Federal sources	53,073	776,828		2,619,902	3,449,803
Sixteenth section sources			518,633	55,059	573,692
<b>Total Revenues</b>	<b>31,801,594</b>	<b>776,828</b>	<b>518,633</b>	<b>7,281,795</b>	<b>40,378,850</b>
<b>Expenditures:</b>					
Instruction	22,130,865	678,487		1,643,474	24,452,826
Support services	15,202,604	76,678		1,756,567	17,035,849
Noninstructional services	18,425	2,663		1,785,818	1,806,906
Sixteenth section			46,863	8,862	55,725
Facilities acquisition and construction				49,867	49,867
Debt service:					
Principal	1,257,035			2,090,000	3,347,035
Interest	3,557			1,146,635	1,150,192
Other				6,643	6,643
<b>Total Expenditures</b>	<b>38,612,486</b>	<b>757,828</b>	<b>46,863</b>	<b>8,487,866</b>	<b>47,905,043</b>
Excess (Deficiency) of Revenues over (under) Expenditures	(6,810,892)	19,000	471,770	(1,206,071)	(7,526,193)
<b>Other Financing Sources (Uses):</b>					
Capital leases issued	4,251,758				4,251,758
Insurance recovery	4,365,948				4,365,948
Operating transfers in	91,967			835,010	926,977
Other financing sources				408,200	408,200
Operating transfers out	(835,010)	(19,000)		(72,967)	(926,977)
Other financing uses				(408,200)	(408,200)
<b>Total Other Financing Sources (Uses)</b>	<b>7,874,663</b>	<b>(19,000)</b>	<b>0</b>	<b>762,043</b>	<b>8,617,706</b>
<b>Net Change in Fund Balances</b>	<b>1,063,771</b>	<b>0</b>	<b>471,770</b>	<b>(444,028)</b>	<b>1,091,513</b>
<b>Fund Balances:</b>					
July 1, 2013	10,691,693	0	2,260,171	3,734,320	16,686,184
Decrease in inventory				(23,127)	(23,127)
June 30, 2014	\$ 11,755,464	0	2,731,941	3,267,165	17,754,570

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

**Clinton Public School District****Exhibit D-1**

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

	<u>Amount</u>
Net Change in Fund Balances - Total Governmental Funds	\$ 1,091,513
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 \$386,345 and the depreciation expense amounted to \$2,063,794.	(1,677,449)
2. Losses on the disposals of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds.	(103,922)
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.	
Inception of Capital Leases	(4,251,758)
Payment of debt principal	3,347,035
Amortization of premiums on refunding bonds	11,071
Amortization of discount on refunding debt	(66,259)
Accrued interest payable	(27,462)
Deferred charges were expensed based on new GASB 65 implementation	<u>(101,262)</u>
	(1,088,635)
4. Some items reported in the Statement of Net Activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:	
Change in compensated absences	6,765
Change in inventory	<u>(23,127)</u>
Change in Net Position of Governmental Activities	\$ <u><u>(1,794,855)</u></u>

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

**Clinton Public School District**  
Statement of Fiduciary Assets and Liabilities  
June 30, 2014

**Exhibit E**

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ <u>1,506,178</u>
Total Assets	\$ <u><u>1,506,178</u></u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 1,412,223
Due to other funds	1,099
Due to student clubs	<u>92,856</u>
Total Liabilities	\$ <u><u>1,506,178</u></u>

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

**Clinton Public School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2014

**Clinton Public 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 an "other stand-alone government." The school district is a related organization of, but not a component unit of, the city of Clinton 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, Clinton Public 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:

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

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

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

Sixteenth Section Interest Fund – This fund accounts for resources and expenditures with the management sixteenth section lands.

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

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

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 raised through school club activities and fund raisers and club related expenditures approved by the individual clubs.

Accounts Payable Clearing Fund – This fund serves as a clearing fund for payables outstanding at year end.

Additionally, the school district reports the following fund types:

**GOVERNMENTAL FUNDS**

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

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, and related costs.

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

**FIDUCIARY FUNDS**

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

**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.

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

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

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

Property tax, 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 position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

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

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

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.

**D. Encumbrances**

An encumbrance system is maintained to account for commitments or assignments resulting from approved purchase orders, work orders, and contracts. However, the school district attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported within committed or assigned fund balances.

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

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.

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and governmental fund financial statements.

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes., e.g. Qualified School Construction Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16<sup>th</sup>

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

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, which 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 applicable governmental column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

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

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

The following schedule details the capitalization thresholds:

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

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

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

7. Compensated Absences

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

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

8. Long-term Liabilities and Bond Discounts/Premiums

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

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

9. Fund Balances

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

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

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

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

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. Currently there is no committed fund balance for this school district.

*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 Finance Director pursuant to authorization established by the policy adopted by the school district.

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

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

It is the goal of the District to maintain an unassigned fund balance in the general fund at fiscal year end of not less than 8% of the actual revenues. If the unassigned fund balance at fiscal year end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

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

**Note 2 - Cash and Cash Equivalents. Cash with Fiscal Agents and Investments**

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

**Deposits.** The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school 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 excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposits or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or interest in, and 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 Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Investment income of less than \$100 can be credited to the General Fund.

**Cash and Cash Equivalents**

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$16,391,252 and \$1,506,178, respectively.

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

*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 \$19,398,656 was exposed to custodial credit risk.

Cash with fiscal agents

The carrying amount of school district’s cash with fiscal agents held by financial institutions was \$10,631. This amount is reflected as restricted assets on Exhibit A.

Investments

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

<u>Investment</u>	<u>Rating</u>	<u>Maturity</u>	<u>Fair Value</u>
BankPlus Sinking Fund Fiscal Agent for QSCB Loan – See Note 14	US Treasury Deposit	Various	\$ 1,022,301

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

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

*Custodial Credit Risk - Investments.* Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. Of the district’s investments \$1,022,301 of 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.

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

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

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

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 122,339
	Title I Fund	101,078
	Fiduciary Funds	<u>1,099</u>
Total		<u>\$ 224,516</u>

The purpose of the most significant inter-fund loans was to eliminate deficit cash balances in certain federal programs as part of normal year end closing adjustments.

**B. Inter-fund Transfers**

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 835,010
Title I Fund	General Fund	19,000
Other Governmental Funds	General Fund	<u>72,967</u>
Total		<u>\$ 926,977</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 and cash equivalents balance totaling \$99,684 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 with fiscal agents and investment balance, totaling \$10,631 and \$1,022,301, respectively, of the QSCB – 2010 Note Fund.

**Clinton Public 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>7-1-2013</u>	<u>Additions</u>	<u>Retirement</u>	<u>Balance</u> <u>6-30-2014</u>
Non-depreciable capital assets:				
Land	\$ 331,098	\$ _____	\$ _____	\$ 331,098
Total non-depreciable capital assets	<u>331,098</u>	<u>_____</u>	<u>_____</u>	<u>331,098</u>
Depreciable capital assets:				
Buildings	60,636,394		515,110	60,121,284
Building improvements	310,793			310,793
Improvement other than buildings	11,220,045	49,867		11,269,912
Mobile equipment	4,230,735	307,253	9,000	4,528,988
Furniture and equipment	<u>1,834,434</u>	<u>29,225</u>	<u>_____</u>	<u>1,863,659</u>
Total depreciable capital assets	<u>78,232,401</u>	<u>386,345</u>	<u>524,110</u>	<u>78,094,636</u>
Less accumulated depreciation:				
Buildings	12,828,887	1,162,534	412,088	13,579,333
Building improvements	82,930	12,431		95,361
Improvement other than buildings	2,444,046	450,797		2,894,843
Mobile equipment	2,824,344	234,523	8,100	3,050,767
Furniture and equipment	<u>1,394,521</u>	<u>203,509</u>	<u>_____</u>	<u>1,598,030</u>
Total accumulated depreciation	<u>19,574,728</u>	<u>2,063,794</u>	<u>420,188</u>	<u>21,218,334</u>
Total depreciable capital assets, net	<u>58,657,673</u>	<u>(1,677,449)</u>	<u>103,922</u>	<u>56,876,302</u>
Governmental activities capital assets,	<u>\$ 58,988,771</u>	<u>\$ (1,677,449)</u>	<u>\$ 103,922</u>	<u>\$ 57,207,400</u>

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 1,651,100
Support services	374,016
Non-instructional	<u>38,678</u>
Total depreciation expense	<u>\$ 2,063,794</u>

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

**Note 6 - Long-term Liabilities**

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

	Balance 7-1-2013	Additions	Reductions	Balance 6-30-2014	Amounts due within one year
A. General obligation bonds payable	\$ 35,305,000	\$	\$ 1,805,000	\$ 33,500,000	\$ 2,285,000
Premiums/Discounts	-441,504		-55,188	-386,316	-55,188
B. Three mill notes payable	7,895,000		285,000	7,610,000	300,000
C. Obligations under capital leases	575,490	4,251,758	1,257,035	3,570,213	1,214,057
D. Compensated absences payable	271,681		6,765	264,916	16,727
Total	<u>\$ 43,605,667</u>	<u>\$ 4,251,758</u>	<u>\$ 3,298,612</u>	<u>\$ 44,558,813</u>	<u>\$ 3,760,596</u>

**A. General obligation bonds payable**

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

General obligation bonds currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General Obligation Bonds, Series 2005	3.25- 4.00%	03-15-05	03-15-17	\$ 17,500,000	\$ 4,275,000
General Obligation Bonds, Series 2010	3.00- 4.25%	12-23-10	06-01-30	14,000,000	12,090,000
General Obligation Bonds, Series 2011	2.50- 3.25%	10-01-11	10-01-28	9,000,000	8,570,000
General Obligation Bonds, Series 2012	1.20- 1.50%	05-30-12	06-01-18	500,000	310,000
General Obligation Bonds, Series 2012 – Refunded 2005	2.00- 2.13%	05-30-12	03-15-22	8,490,000	8,255,000
Total				<u>\$ 49,490,000</u>	<u>\$ 33,500,000</u>

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

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

1. Bond issue of Series 2005:

Year Ending June 30	Principal	Interest	Total
2015	\$ 1,325,000	\$ 171,000	\$ 1,496,000
2016	1,425,000	118,000	1,543,000
2017	1,525,000	61,000	1,586,000
Total	<u>\$ 4,275,000</u>	<u>\$ 350,000</u>	<u>\$ 4,625,000</u>

This debt will be retired from the Debt Service Funds (Debt Service - 2005/2012 Refunded Bonds Fund) which will be financed by local millage and EEF Building and Buses Fund annual appropriation of \$166,601. These EEF funds are pledged exclusively to the general obligation bonds, series 2005 (including the refunded bonds) through March 15, 2022 at which time they will become exclusively pledged to the general obligation bonds, series 2010 through June 1, 2030.

2. Bond issue of Series 2010:

Year Ending June 30	Principal	Interest	Total
2015	\$ 530,000	\$ 459,637	\$ 989,637
2016	555,000	443,738	998,738
2017	580,000	427,087	1,007,087
2018	605,000	402,437	1,007,437
2019	635,000	376,725	1,011,725
2020 – 2024	3,630,000	1,464,037	5,094,037
2025 – 2029	4,525,000	682,150	5,207,150
2030	1,030,000	36,050	1,066,050
Total	<u>\$ 12,090,000</u>	<u>\$ 4,291,861</u>	<u>\$ 16,381,861</u>

This debt will be retired from the Debt Service Funds (Debt Service – 2010 Bonds Fund) which will be financed by local millage and EEF Building and Buses Fund annual appropriation of \$166,601. These EEF funds are pledged exclusively to the general obligation bonds, series 2005 (including the refunded bonds) through March 15, 2022 at which time they will become exclusively pledged to the general obligation bonds, series 2010 through June 1, 2030.

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

3. Bond issue of Series 2011:

Year Ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 250,000	\$ 227,694	\$ 477,694
2016	275,000	219,162	494,162
2017	325,000	209,819	534,819
2018	360,000	199,544	559,544
2019	360,000	188,744	548,744
2020 – 2024	2,650,000	768,422	3,418,422
2025 – 2029	4,350,000	326,093	4,676,093
Total	<u>\$ 8,570,000</u>	<u>\$ 2,139,478</u>	<u>\$ 10,709,478</u>

This debt will be retired from the Debt Service Funds (Debt Service – 2011 Bonds Fund) which will be financed by local millage.

4. Bond issue of Series 2012:

Year Ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 80,000	\$ 3,875	\$ 83,875
2016	80,000	6,900	86,900
2017	80,000	6,000	86,000
2018	70,000	3,500	73,500
Total	<u>\$ 310,000</u>	<u>\$ 20,275</u>	<u>\$ 330,275</u>

This debt will be retired from the Debt Service Funds (Debt Service – 2012 Bonds Fund) which will be financed by local millage.

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

5. Bond issue of Refunded Series 2012:

Year Ending June 30	Principal	Interest	Total
2015	\$ 100,000	\$ 166,287	\$ 266,287
2016	100,000	164,288	264,288
2017	100,000	162,287	262,287
2018	1,705,000	160,288	1,865,288
2019	1,775,000	126,187	1,901,187
2020-2022	4,475,000	164,663	4,639,663
Total	<u>\$ 8,255,000</u>	<u>\$ 944,000</u>	<u>\$ 9,199,000</u>

This debt will be retired from the Debt Service Funds (Debt Service – 2005/2012 Refunded Bonds Fund) which will be financed by local millage and EEF Building and Buses Fund annual appropriation of \$166,601. These EEF funds are pledged exclusively to the general obligation bonds, series 2005 (including the refunded bonds) through March 15, 2022 at which time they will become exclusively pledged to the general obligation bonds, series 2010 through June 1, 2030.

The total general obligation bond payments for all issues:

Year Ending June 30	Principal	Interest	Total
2015	\$ 2,285,000	\$ 1,028,493	\$ 3,313,493
2016	2,435,000	952,088	3,387,088
2017	2,610,000	866,193	3,476,193
2018	2,740,000	765,769	3,505,769
2019	2,770,000	691,656	3,461,656
2020-2024	10,755,000	2,397,122	13,152,122
2025– 2029	8,875,000	1,008,243	9,883,243
2030	1,030,000	36,050	1,066,050
Total	<u>\$ 33,500,000</u>	<u>\$ 7,745,614</u>	<u>\$ 41,245,614</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann, (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2014, the amount of outstanding bonded

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

indebtedness was equal to 13.6% of property assessments as of October 1, 2013.

**B. Three mill notes payable**

Three mill notes payable are direct obligations and pledge the full faith and credit of the school district.

Three mill notes currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill note, Series 2008	3.63%	12-05-08	12-05-18	\$ 2,935,000	\$ 1,610,000
Three mill note, Series 2010	0%	12-16-10	12-01-25	6,000,000	6,000,000
Total				<u>\$ 8,935,000</u>	<u>\$ 7,610,000</u>

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

1. Three mill notes payable issue of 2008:

Year Ending June 30	Principal	Interest	Total
2015	\$ 300,000	\$ 52,998	\$ 352,998
2016	310,000	41,927	351,927
2017	320,000	30,492	350,492
2018	335,000	18,603	353,603
2019	345,000	6,262	351,262
Total	<u>\$ 1,610,000</u>	<u>\$ 150,282</u>	<u>\$ 1,760,282</u>

This debt will be retired from the Debt Service Funds (Debt Service – 2008 Note Fund) which will be financed by local millage.

2. Three mill notes payable issue of 2010:

NOTE: This is a Qualified School Construction Bond but was recorded in the books as Three Mills Note according to the financial institution’s repayment agreement.

This debt will be retired from the Debt Service Funds (Debt Service – 2010 Note Fund) which will be financed by local millage.

See Note 14 for required sinking fund payments.

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

**C. Obligation under capital leases**

The school district has entered into a lease agreement as lessee for financing the acquisition of computers and computer equipment at a cost of \$4,251,758 with a down payment of \$1,083,463 in 2013-2014 and \$694,637 with a down payment of \$119,147 in 2012-2013. These leases qualify as capital leases for accounting purposes with the option to purchase for \$1 at the end of the term.

The school district uses the straight-line method of amortization for the lease payments which is not in accordance with accounting principles generally accepted in the United States of America. However, the difference between the effective interest method and the straight-line method is not considered material.

Capital leases currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Capital lease, Sept 2012 Issue	.9%	9-11-12	9-10-15	\$ 470,248	\$ 235,114
Capital lease, March 2013 Issue	2.127%	3-25-13	7-25-16	224,389	166,804
Capital lease, July 2013 Issue	1.29%	7-25-13	7-25-16	4,251,758	3,168,295
Total				\$ 4,946,395	\$ 3,570,213

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

1. Capital lease issue of Sept 2012:

Year Ending	Principal	Interest	Total
June 30			
2015	\$ 117,030	\$ 2,116	\$ 119,146
2016	118,084	1,063	119,147
Total	\$ 235,114	\$ 3,179	\$ 238,293

This debt will be retired from the District Maintenance Fund.

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

2. Capital lease issue of March 2013:

Year Ending June 30	Principal	Interest	Total
2015	\$ 54,435	\$ 3,548	\$ 57,983
2016	55,593	2,390	57,983
2017	56,776	1,208	57,984
Total	<u>\$ 166,804</u>	<u>\$ 7,146</u>	<u>\$ 173,950</u>

This debt will be retired from the District Maintenance Fund.

3. Capital lease issue of July 2013:

Year Ending June 30	Principal	Interest	Total
2015	\$ 1,042,592	\$ 40,866	\$ 1,083,458
2016	1,056,041	27,416	1,083,457
2017	1,069,662	13,799	1,083,461
Total	<u>\$ 3,168,295</u>	<u>\$ 82,081</u>	<u>\$ 3,250,376</u>

This debt will be retired from the District Maintenance Fund.

The total capital lease payments for all issues:

Year Ending June 30	Principal	Interest	Total
2015	\$ 1,214,057	\$ 46,530	\$ 1,260,587
2016	1,229,718	30,869	1,260,587
2017	1,126,438	15,007	1,141,445
Total	<u>\$ 3,570,213</u>	<u>\$ 92,406</u>	<u>\$ 3,662,619</u>

**D. Compensated absences payable**

As more fully explained in Note 1 (E) (7), 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.

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

**Note 7 - Other Commitments**

Operating leases:

The school district has several operating leases for postage machines and copiers.

Lease expenditures for the year ended June 30, 2014, amounted to \$41,323. Future lease payments for these leases are as follows:

Year Ending	
June 30	Amount
2015	\$ 23,027
2016	984
2017	984
2018	164
Total	<u>\$ 25,159</u>

**Note 8 – Prior Year Defeasance of Debt**

In prior years, the Clinton Public School District defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the district's financial statements. On June 30, 2014, \$0 of bonds outstanding are defeased.

**Note 9 - Defined Benefit Pension Plan**

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

**Funding Policy.** PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2014 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established

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

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 \$3,109,497, \$2,785,758 and \$2,364,705, respectively, which equaled the required contributions for each year.

**Note 10 - Sixteenth Section Lands**

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

Year Ending June 30	Amount
2015	\$ 161,838
2016	140,108
2017	130,536
2018	69,797
2019	69,239
2020– 2024	336,579
2025– 2029	289,705
2030– 2034	112,365
2035– 2039	18,425
Thereafter	<u>20,625</u>
Total	<u>\$ 1,349,217</u>

**Note 11 - 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.

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

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 12 - Risk Management**

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

**Note 13 - Insurance Recovery**

The Clinton Public School District received \$4,365,948 in insurance loss recoveries during the 2013-2014 fiscal year is related to hail storm damage to buildings and buses that occurred on March 18, 2013. In the government wide Statement of Activities, the insurance loss recoveries were reported as support service expense.

**Note 14 - Qualified School Construction Bonds**

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

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

The school district makes equal annual payments into a sinking fund which is used to payoff 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

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

issuance and 100% must be spent within three years. The amount on deposit at June 30, 2014 was \$1,032,932. The amount in the sinking fund at the end of the 14 year period will be sufficient to retire the debt. This fund is being funded under the three mill levy authority. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Principal
2015	\$ 415,000
2016	415,000
2017	415,000
2018	415,000
2019	415,000
2020 – 2024	2,077,000
2025 – 2026	833,000
Total	\$ <u>4,985,000</u>

**Note 15 - 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 Clinton Public School District evaluated the activity of the district through December 16, 2014, and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

**Clinton Public School District**  
 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	\$ 11,672,504	12,203,753	12,203,173	531,249	(580)
State sources	19,703,247	19,551,122	19,545,348	(152,125)	(5,774)
Federal sources	135,000	53,100	53,073	(81,900)	(27)
Total Revenues	<u>31,510,751</u>	<u>31,807,975</u>	<u>31,801,594</u>	<u>297,224</u>	<u>(6,381)</u>
<b>Expenditures:</b>					
Instruction	18,046,447	22,432,245	22,130,865	(4,385,798)	301,380
Support services	13,986,923	15,711,099	15,202,604	(1,724,176)	508,495
Noninstructional services	50,200	43,100	18,425	7,100	24,675
Debt service:					
Principal	1,249,769	1,260,592	1,257,035	(10,823)	3,557
Interest			3,557	0	(3,557)
Total Expenditures	<u>33,333,339</u>	<u>39,447,036</u>	<u>38,612,486</u>	<u>(6,113,697)</u>	<u>834,550</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(1,822,588)</u>	<u>(7,639,061)</u>	<u>(6,810,892)</u>	<u>(5,816,473)</u>	<u>828,169</u>
<b>Other Financing Sources (Uses):</b>					
Capital lease issued	0	4,251,758	4,251,758	4,251,758	0
Insurance recovery	2,000,000	4,365,948	4,365,948	2,365,948	0
Operating transfers in	3,019,450	7,267,584	91,967	4,248,134	(7,175,617)
Operating transfers out	(4,057,041)	(8,009,715)	(835,010)	(3,952,674)	7,174,705
Total Other Financing Sources (Uses)	<u>962,409</u>	<u>7,875,575</u>	<u>7,874,663</u>	<u>6,913,166</u>	<u>(912)</u>
Net Change in Fund Balances	<u>(860,179)</u>	<u>236,514</u>	<u>1,063,771</u>	<u>1,096,693</u>	<u>827,257</u>
Fund Balances:					
July 1, 2013	<u>9,539,911</u>	<u>10,691,694</u>	<u>10,691,693</u>	<u>1,151,783</u>	<u>(1)</u>
June 30, 2014	<u>\$ 8,679,732</u>	<u>10,928,208</u>	<u>11,755,464</u>	<u>2,248,476</u>	<u>827,256</u>

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

**Clinton Public School District**  
 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
<b>Revenues:</b>					
Federal sources	\$ 788,688	885,793	776,828	97,105	(108,965)
Total Revenues	<u>788,688</u>	<u>885,793</u>	<u>776,828</u>	<u>97,105</u>	<u>(108,965)</u>
<b>Expenditures:</b>					
Instruction	664,788	712,386	678,487	(47,598)	33,899
Support services	101,763	146,907	76,678	(45,144)	70,229
Noninstructional services	2,043	7,500	2,663	(5,457)	4,837
Total Expenditures	<u>768,594</u>	<u>866,793</u>	<u>757,828</u>	<u>(98,199)</u>	<u>108,965</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>20,094</u>	<u>19,000</u>	<u>19,000</u>	<u>(1,094)</u>	<u>0</u>
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	<u>(20,094)</u>	<u>(19,000)</u>	<u>(19,000)</u>	<u>1,094</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(20,094)</u>	<u>(19,000)</u>	<u>(19,000)</u>	<u>1,094</u>	<u>0</u>
Net Change in Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances:					
July 1, 2013	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
June 30, 2014	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

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

**Clinton Public School District**  
 Budgetary Comparison Schedule  
 Sixteenth Section Interest 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>					
Sixteenth section sources	\$ 243,600	520,755	518,633	277,155	(2,122)
Total Revenues	<u>243,600</u>	<u>520,755</u>	<u>518,633</u>	<u>277,155</u>	<u>(2,122)</u>
<b>Expenditures:</b>					
Sixteenth section	26,500	47,429	46,863	(20,929)	566
Total Expenditures	<u>26,500</u>	<u>47,429</u>	<u>46,863</u>	<u>(20,929)</u>	<u>566</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>217,100</u>	<u>473,326</u>	<u>471,770</u>	<u>256,226</u>	<u>(1,556)</u>
Net Change in Fund Balances	<u>217,100</u>	<u>473,326</u>	<u>471,770</u>	<u>256,226</u>	<u>(1,556)</u>
<b>Fund Balances:</b>					
July 1, 2013	<u>2,294,446</u>	<u>2,260,171</u>	<u>2,260,171</u>	<u>(34,275)</u>	<u>0</u>
June 30, 2014	<u>\$ 2,511,546</u>	<u>2,733,497</u>	<u>2,731,941</u>	<u>221,951</u>	<u>(1,556)</u>

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

## **Clinton Public 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 Schedules present the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, variances between the original budget and the final budget, and variances between the final budget and the actual data.

(2) Budget Amendments and Revisions

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

## SUPPLEMENTARY INFORMATION

**Clinton Public School District**  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2014

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
<b><u>U.S. Department of Agriculture</u></b>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 168,139
National school lunch program	10.555	1,207,711
Total child nutrition cluster		<u>1,375,850</u>
Total passed-through Mississippi Department of Education		<u>1,375,850</u>
<b>Total U.S. Department of Agriculture</b>		<u>1,375,850</u>
<b><u>Federal Communications Commission</u></b>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	47,161
<b>Total Federal Communications Commission</b>		<u>47,161</u>
<b><u>U.S. Department of Education</u></b>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	776,828
Career and technical education - basic grants to states	84.048	40,480
English language acquisition grants	84.365	16,668
Improving teacher quality - state grants	84.367	234,711
Total		<u>1,068,687</u>
Special education cluster:		
Special education - grants to states	84.027	887,949
Special education - preschool grants	84.173	19,999
Total special education cluster		<u>907,948</u>
Total passed-through Mississippi Department of Education		<u>1,976,635</u>
<b>Total U.S. Department of Education</b>		<u>1,976,635</u>
Total for All Federal Awards		<u>\$ 3,399,646</u>

**NOTES TO SCHEDULE**

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

**Clinton Public School District**

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	\$ 26,870,975	19,888,901	1,222,622	2,107,779	3,651,673
Other	<u>21,034,068</u>	<u>6,496,319</u>	<u>298,489</u>	<u>72,481</u>	<u>14,166,779</u>
Total	<u>\$ 47,905,043</u>	<u>26,385,220</u>	<u>1,521,111</u>	<u>2,180,260</u>	<u>17,818,452</u>
Total number of students*	<u>4,860</u>				
Cost per student	<u>\$ 9,857</u>	<u>5,429</u>	<u>313</u>	<u>449</u>	<u>3,666</u>

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

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

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

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

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

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

## OTHER INFORMATION

**Clinton Public School District**

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

General Fund

Last Four Years

	2014	2013*	2012 *	2011 *
<b>Revenues:</b>				
Local sources	\$ 12,203,173	11,656,569	10,623,998	10,631,627
State sources	19,545,348	18,771,506	18,402,772	17,093,982
Federal sources	53,073	134,443	97,538	42,812
Total Revenues	<u>31,801,594</u>	<u>30,562,518</u>	<u>29,124,308</u>	<u>27,768,421</u>
<b>Expenditures:</b>				
Instruction	22,130,865	18,059,623	16,674,042	14,173,892
Support services	15,202,604	12,142,263	10,285,283	9,530,515
Noninstructional services	18,425	12,166	15,839	16,498
Debt service:				
Principal	1,257,035	119,147	0	0
Interest	3,557	0	0	0
Total Expenditures	<u>38,612,486</u>	<u>30,333,199</u>	<u>26,975,164</u>	<u>23,720,905</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(6,810,892)</u>	<u>229,319</u>	<u>2,149,144</u>	<u>4,047,516</u>
<b>Other Financing Sources (Uses):</b>				
Capital leases issued	4,251,758	694,637	0	0
Insurance recovery	4,365,948	1,018,450	16,852	680
Sale of transportation equipment	0	0	3,896	0
Sale of other property	0	0	3,500	3,501,000
Operating transfers in	91,967	90,857	88,036	96,521
Operating transfers out	(835,010)	(1,023,909)	(1,404,498)	(4,113,271)
Total Other Financing Sources (Uses)	<u>7,874,663</u>	<u>780,035</u>	<u>(1,292,214)</u>	<u>(515,070)</u>
Net Change in Fund Balances	<u>1,063,771</u>	<u>1,009,354</u>	<u>856,930</u>	<u>3,532,446</u>
<b>Fund Balances:</b>				
July 1	10,691,693	9,682,339	8,825,409	5,292,963
June 30	<u>\$ 11,755,464</u>	<u>10,691,693</u>	<u>9,682,339</u>	<u>8,825,409</u>

\* SOURCE - PRIOR YEAR AUDIT REPORTS

**Clinton Public School District**

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

All Governmental Funds

Last Four Years

	2014	2013 *	2012 *	2011 *
<b>Revenues:</b>				
Local sources	\$ 15,970,155	15,082,159	14,074,643	13,259,769
State sources	20,385,200	19,529,653	19,310,218	18,093,982
Federal sources	3,449,803	3,465,873	3,285,936	6,233,447
Sixteenth section sources	573,692	225,290	210,520	242,713
Total Revenues	<u>40,378,850</u>	<u>38,302,975</u>	<u>36,881,317</u>	<u>37,829,911</u>
<b>Expenditures:</b>				
Instruction	24,452,826	20,340,430	19,118,449	19,678,853
Support services	17,035,849	14,089,132	12,908,375	12,824,015
Noninstructional services	1,806,906	2,013,961	1,797,210	1,749,330
Sixteenth section	55,725	45,953	38,632	90,567
Facilities acquisitions & construction	49,867	1,101,465	20,940,530	2,405,210
Debt service:				
Principal	3,347,035	2,044,147	1,455,000	4,415,000
Interest	1,150,192	1,293,484	1,148,730	978,636
Other	6,643	6,114	8,588,248	2,600
Total Expenditures	<u>47,905,043</u>	<u>40,934,686</u>	<u>65,995,174</u>	<u>42,144,211</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(7,526,193)</u>	<u>(2,631,711)</u>	<u>(29,113,857)</u>	<u>(4,314,300)</u>
<b>Other Financing Sources (Uses):</b>				
Bonds issued	0	0	9,500,000	20,000,000
Capital leases issued	4,251,758	694,637	0	0
Insurance recovery	4,365,948	1,018,450	16,852	680
Refunding bonds issued	0	0	8,490,000	0
Premiums on refunding bonds issued	0	0	99,636	0
Sale of transportation equipment	0	0	3,896	0
Sale of other property	0	0	3,500	3,501,000
Operating transfers in	926,977	1,114,766	1,573,002	4,209,792
Other financing sources	408,200	350,000	250,000	0
Operating transfers out	(926,977)	(1,114,766)	(1,573,002)	(4,209,792)
Other financing uses	(408,200)	(347,217)	(250,000)	0
Total Other Financing Sources (Uses)	<u>8,617,706</u>	<u>1,715,870</u>	<u>18,113,884</u>	<u>23,501,680</u>
Net Change in Fund Balances	<u>1,091,513</u>	<u>(915,841)</u>	<u>(10,999,973)</u>	<u>19,187,380</u>
<b>Fund Balances:</b>				
July 1	16,686,184	17,590,491	28,601,918	9,397,158
Increase (Decrease) in inventory	<u>(23,127)</u>	<u>11,534</u>	<u>(11,454)</u>	<u>17,380</u>
June 30	<u>\$ 17,754,570</u>	<u>16,686,184</u>	<u>17,590,491</u>	<u>28,601,918</u>

\* SOURCE - PRIOR YEAR AUDIT REPORTS

## REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Clinton Public 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 Clinton Public School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Clinton Public School District's basic financial statements, and have issued our report thereon dated December 16, 2014.

**Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or 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 Clinton Public School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
December 16, 2014

Certified Public Accountants

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133

Superintendent and School Board  
Clinton Public School District

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

We have audited Clinton Public 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 Clinton Public School District's major federal programs for the year ended June 30, 2014. The Clinton Public School District's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Clinton Public 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 the school district's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the school district's compliance.

## Opinion on Each Major Federal Program

In our opinion, the Clinton Public School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

## Report on Internal Control Over Compliance

Management of the Clinton Public 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 Clinton Public 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 the school district's internal control over compliance.

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

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

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC  
December 16, 2014

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Clinton Public School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clinton Public School District as of and for the year ended June 30, 2014, which collectively comprise Clinton Public School District's basic financial statements and have issued our report thereon dated December 16, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$0 of classroom supply funds carried over from previous years.

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

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

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

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

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

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
December 16, 2014

Certified Public Accountants

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Clinton Public 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? No.
  - b. Significant deficiency(ies) identified? None reported.
5. Type of auditor's report issued on compliance for major programs: Unmodified.
6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? No.
7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553 & 10.555	Child Nutrition Cluster
84.010	Title I Grants to Local Educational Agencies
84.027 & 84.173	Special Education Cluster

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 by *Government Auditing Standards*.

## Section III: Federal Award Findings and Questioned Costs

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