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Clinton Public School District

Audited Financial Statements
For the Year Ended June 30, 2015

Fortenberry & Ballard, PC
Certified Public Accountants

**Clinton Public School District
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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, 2015, 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, 2015, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the school district adopted Governmental Accounting Standards Board (“GASB”) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. As a result, net position as of July 1, 2014, has been restated. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, budgetary comparison information, the Schedule of the District’s Proportionate Share of the Net Pension Liability and the Schedule of District’s Contributions on pages 8 to 17 and 57 to 61 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, 2015, 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, 2015

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

Clinton Public School District
Management's Discussion and Analysis
For the Year Ended June 30, 2015

The following discussion and analysis of Clinton Public School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2015. 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 2015 decreased \$38,542,240, which represents 128% decrease from fiscal year 2014. Total net position for 2014 decreased \$1,794,855, which represents 6% decrease from fiscal year 2013.
- General revenues amounted to \$37,761,429 and \$34,650,258, or 86% and 86% of all revenues for fiscal years 2015 and 2014, respectively. Program specific revenues in the form of charges for services accounted for \$6,063,134, or 14% of total revenues for 2015, and \$5,728,592, or 14% of total revenues for 2014.
- The District had \$41,029,020 and \$42,173,705 in expenses for fiscal years 2015 and 2014; only \$6,063,134 for 2015 and \$5,728,592 for 2014 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$37,761,429 for 2015 were adequate to provide for these programs. However, \$34,650,258 for 2014 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$34,449,913 in revenues and \$35,471,491 in expenditures for 2015, and \$31,801,594 in revenues and \$38,612,486 in expenditures in 2014. The General Fund's fund balance increased by \$2,061,976 from 2014 to 2015, and increased by \$1,063,771 from 2013 to 2014.
- Capital assets, net of accumulated depreciation, decreased by \$1,714,031 for 2015 and decreased by \$1,781,371 for 2014. The decrease for 2015 was due to the net effect of a \$460,229 addition of assets less the disposal of \$159,326 of net assets less the increase in accumulated depreciation of \$2,014,934.
- Long-term debt decreased by \$3,505,217 for 2015 and increased by \$904,723 for 2014. The decrease for 2015 was due to primarily to the principal payments of outstanding long-term debt of \$3,902,500 and the inception of capital leases. The liability for compensated absences decreased by \$6,295 for 2015 and decreased by \$6,765 for 2014.

Clinton Public School District
Management's Discussion and Analysis
For the Year Ended June 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the District's finances. These statements consist of the Statement of Net 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, pension expense, 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

Clinton Public School District
Management's Discussion and Analysis
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approach focuses on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at year end. The governmental fund statements provide a detailed view of the District's near-term financing requirements.

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

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

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.

Clinton Public School District
Management's Discussion and Analysis
For the Year Ended June 30, 2015

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

Notes to the financial statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board. Additionally, the Schedule of the District's Proportionate Share of the Net Pension Liability and the Schedule of District's Contributions are presented in this section.

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. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$8,378,606 as of June 30, 2015.

Clinton Public School District
Management's Discussion and Analysis
For the Year Ended June 30, 2015

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, 2015 and June 30, 2014.

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

Table 1
Condensed Statement of Net Position

	<u>2015</u>	<u>2014</u>	<u>Percentage Change</u>
Current assets	\$ 16,334,146	\$ 17,144,311	(5)%
Restricted assets	1,571,851	1,132,616	39%
Capital assets, net	<u>55,493,369</u>	<u>57,207,400</u>	(3)%
Total assets	<u>73,399,366</u>	<u>75,484,327</u>	(3)%
Deferred outflow of resources	<u>3,872,689</u>	<u>0</u>	N/A
Current liabilities	598,004	761,880	(22)%
Long-term liabilities	41,102,489	44,558,813	(8)%
Net pension liability	<u>37,202,153</u>	<u>0</u>	N/A
Total liabilities	<u>78,902,646</u>	<u>45,320,693</u>	74%
Deferred inflow of resources	<u>6,748,015</u>	<u>0</u>	N/A
Net position:			
Net investment in capital assets	14,649,501	12,913,503	13%
Restricted	4,077,111	6,371,101	(36)%
Unrestricted	<u>(27,105,218)</u>	<u>10,879,030</u>	(349)%
Total net position (deficit)	<u>\$ (8,378,606)</u>	<u>\$ 30,163,634</u>	(128)%

Additional information on unrestricted net position:

In connection with the implementation on new standards on accounting and financial reporting for pensions, management presents the following additional information:

Clinton Public School District
Management's Discussion and Analysis
For the Year Ended June 30, 2015

Total unrestricted net position (deficit)	\$ (27,105,218)
Less unrestricted deficit in net position resulting from implementation of GASB Statement No. 68 and No. 71	<u>40,077,479</u>
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 12,972,261</u>

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

- Implementation of GASB Statement No. 68 which required the recording of a liability for the proportionate share of the school district as well as the recording of deferred outflows/inflows of resources on the Statement of Net position.
- Decrease in net capital assets in the amount of \$1,714,031.
- The principal retirement of \$3,902,500 of long-term debt.
- Inception of capital leases in the amount of \$397,283.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2015 and June 30, 2014 were \$43,824,563 and \$40,378,850, respectively. The total cost of all programs and services was \$41,029,020 for 2015 and \$42,173,705 for 2014.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2015 and June 30, 2014.

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

Clinton Public School District
Management's Discussion and Analysis
For the Year Ended June 30, 2015

Table 2
Changes in Net Position

	<u>2015</u>	<u>2014</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 1,516,663	\$ 1,450,669	5%
Operating grants and contributions	4,546,471	4,277,923	6%
General revenues:			
Property taxes	14,939,548	14,064,732	6%
Grants and contributions not restricted	21,167,610	19,557,081	8%
Unrestricted investment earnings	47,713	40,857	17%
Sixteenth section sources	517,839	573,692	(10)%
Other	<u>1,088,719</u>	<u>413,896</u>	163%
Total revenues	<u>43,824,563</u>	<u>40,378,850</u>	9%
Expenses:			
Instruction	21,706,229	26,177,098	(17)%
Support services	14,204,375	12,680,657	12%
Non-instructional	1,852,488	1,919,478	(3)%
Sixteenth section	70,536	55,725	27%
Pension expense	2,032,043		N/A
Interest and other costs on long-term liabilities	<u>1,163,349</u>	<u>1,340,747</u>	(13)%
Total expenses	<u>41,029,020</u>	<u>42,173,705</u>	(3)%
Increase (Decrease) in net position	<u>2,795,543</u>	<u>(1,794,855)</u>	256%
Net Position – Beginning, as previously reported	30,163,634	31,958,489	(6)%
Prior Period Adjustment	<u>(41,337,783)</u>	<u>0</u>	N/A
Net Position (deficit) – Beginning, as restated	<u>(11,174,149)</u>	<u>31,958,489</u>	(135)%
Net Position (deficit) - Ending	<u>\$ (8,378,606)</u>	<u>\$ 30,163,634</u>	(128)%

Governmental activities

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

Clinton Public School District
Management's Discussion and Analysis
For the Year Ended June 30, 2015

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2015	2014	
Instruction	\$21,706,229	\$ 26,177,098	(17)%
Support services	14,204,375	12,680,657	12%
Non-instructional	1,852,488	1,919,478	(3)%
Sixteenth section	70,536	55,725	27%
Pension expense	2,032,043		N/A
Interest and other costs	<u>1,163,349</u>	<u>1,340,747</u>	(13)%
Net expenses	<u>\$41,029,020</u>	<u>\$ 42,173,705</u>	(3)%
	Net (Expense) Revenue		Percentage Change
	2015	2014	
Instruction	\$(18,280,015)	\$ (22,918,393)	(20)%
Support services	(13,532,478)	(12,146,348)	11%
Non-instructional	112,535	16,100	599%
Sixteenth section	(70,536)	(55,725)	27%
Pension expense	(2,032,043)	0	N/A
Interest and other costs	<u>(1,163,349)</u>	<u>(1,340,747)</u>	(13)%
Total net (expense) revenue	<u>\$(34,965,886)</u>	<u>\$ (36,445,113)</u>	(4)%

- Net cost of governmental activities, (\$34,965,886 for 2015 and \$36,445,113 for 2014) was financed by general revenue, which is made up of primarily property taxes (\$14,939,548 for 2015 and \$14,064,732 for 2014) and state and federal revenues (\$21,167,610 for 2015 and \$19,557,081 for 2014). In addition, there was \$517,839 and \$573,692 in Sixteenth Section sources for 2015 and 2014, respectively.
- Investment earnings amounted to \$47,713 for 2015 and \$40,857 for 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.

Clinton Public School District
Management's Discussion and Analysis
For the Year Ended June 30, 2015

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 \$17,519,693, a decrease of \$234,877, which includes the decrease in inventory of \$14,539. \$10,558,528 or 60% 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 \$148,682 or 1% is nonspendable, \$4,140,129 or 24% is restricted and \$2,672,354 or 15% is 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 \$2,061,976. The fund balance of Other Governmental Funds showed a decrease in the amount of \$2,296,853, which includes a decrease in inventory of \$14,539 and a fund reclassification of (\$2,731,941).

BUDGETARY HIGHLIGHTS

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District. Beginning fund balance was adjusted to actual between the original and final budgets.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2015, the District's total capital assets were \$78,224,033, including land, school buildings, building improvements, improvements other than buildings, mobile equipment, buses, other school vehicles and furniture and equipment. This amount represents a decrease of \$201,701 from 2014. Total accumulated depreciation as of June 30, 2015, was \$22,730,664, and total depreciation expense for the year was \$2,014,934, resulting in total net capital assets of \$55,493,369.

Clinton Public School District
Management's Discussion and Analysis
For the Year Ended June 30, 2015

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Land	\$ 226,710	\$ 331,098	(32)%
Buildings	45,387,282	46,541,951	(2)%
Building improvements	203,000	215,432	(6)%
Improvements other than buildings	7,949,813	8,375,069	(5)%
Mobile equipment	1,579,257	1,478,221	7%
Furniture and equipment	<u>147,307</u>	<u>265,629</u>	(45)%
Total	<u>\$55,493,369</u>	<u>\$57,207,400</u>	(3)%

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

Debt Administration. At June 30, 2015, the District had \$41,102,489 in outstanding long-term debt, of which \$4,023,410 is due within one year. The liability for compensated absences at June 30, 2015 was \$258,621, a decrease of \$6,295 from the prior year. There was \$397,283 inception of capital leases in 2015. The District maintains an AA3 bond rating.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
General obligation bonds payable	\$31,215,000	\$33,500,000	(7)%
Premiums/Discounts	(331,128)	(386,316)	(14)%
Three mill notes payable	7,310,000	7,610,000	(4)%
Obligations under capital leases	2,649,996	3,570,213	(26)%
Compensated absences payable	<u>258,621</u>	<u>264,916</u>	(2)%
Total	<u>\$41,102,489</u>	<u>\$44,558,813</u>	(8)%

Additional information on the district's long term debt can be found in Note 6 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 controls is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

Clinton Public School District
Management's Discussion and Analysis
For the Year Ended June 30, 2015

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

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

Enrollment for the 2014-2015 year increased by 1.1% to 4,901 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, P. O. Box 300, Clinton, MS 39060.

FINANCIAL STATEMENTS

Clinton Public School District
Statement of Net Position
June 30, 2015

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 15,487,566
Due from other governments	797,507
Other receivables, net	75
Inventories	27,196
Prepaid items	21,802
Restricted assets	1,571,851
Capital assets, non-depreciable:	
Land	226,710
Capital assets, net of accumulated depreciation:	
Buildings	45,387,282
Building improvements	203,000
Improvements other than buildings	7,949,813
Mobile equipment	1,579,257
Furniture and equipment	147,307
Total Assets	<u>73,399,366</u>
Deferred Outflows of Resources	
Pension related	3,872,689
Total deferred outflow of resources	<u>3,872,689</u>
Liabilities	
Accounts payable and accrued liabilities	386,304
Interest payable on long-term liabilities	211,700
Long-term liabilities, due within one year:	
Capital related liabilities	4,069,992
Non-capital related liabilities	8,606
Long-term liabilities, due beyond one year:	
Capital related liabilities	36,773,876
Non-capital related liabilities	250,015
Net pension liability	37,202,153
Total Liabilities	<u>78,902,646</u>
Deferred Inflows of Resources	
Pension related	6,748,015
Total deferred inflow of resources	<u>6,748,015</u>
Net Position	
Net investment in capital assets	14,649,501
Restricted for:	
Expendable:	
School-based activities	346,433
Ad valorem	564,756
Debt service	2,899,437
Forestry improvements	84,339
Unemployment benefits	82,462
Non-expendable:	
Sixteenth section	99,684
Unrestricted	<u>(27,105,218)</u>
Total Net Position (Deficit)	<u>\$ (8,378,606)</u>

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

Clinton Public School District
Statement of Activities
For the Year Ended June 30, 2015

Exhibit B

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental Activities:				
Instruction	\$ 21,706,229	848,852	2,577,362	(18,280,015)
Support services	14,204,375		671,897	(13,532,478)
Non-instructional	1,852,488	667,811	1,297,212	112,535
Sixteenth section	70,536			(70,536)
Pension expense	2,032,043			(2,032,043)
Interest and other costs on long term liabilities	1,163,349			(1,163,349)
Total Governmental Activities	\$ 41,029,020	1,516,663	4,546,471	(34,965,886)
General Revenues:				
Taxes:				
				11,477,297
				3,462,251
Unrestricted grants and contributions:				
				21,042,065
				125,545
				47,713
				517,839
				1,088,719
				<u>37,761,429</u>
				Change in Net Position <u>2,795,543</u>
				Net Position - Beginning, as previously reported 30,163,634
				Prior period adjustment <u>(41,337,783)</u>
				Net Position (deficit) - Beginning, as restated <u>(11,174,149)</u>
				Net Position (deficit) - Ending \$ <u><u>(8,378,606)</u></u>

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

Clinton Public School District
 Balance Sheet - Governmental Funds
 June 30, 2015

Exhibit C

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	Title I Fund		
Assets				
Cash and cash equivalents	\$ 13,456,303		2,130,947	15,587,250
Cash with fiscal agents	9,428		15,938	25,366
Investments			1,446,801	1,446,801
Due from other governments	471,826	106,557	219,124	797,507
Due from other funds	230,445			230,445
Inventories			27,196	27,196
Prepaid items	21,802			21,802
Total Assets	\$ 14,189,804	106,557	3,840,006	18,136,367
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	\$ 372,364	511	13,429	386,304
Due to other funds		106,046	124,324	230,370
Total Liabilities	372,364	106,557	137,753	616,674
Fund Balances:				
Nonspendable				
Inventory			27,196	27,196
Permanent fund principal			99,684	99,684
Prepaid items	21,802			21,802
Restricted				
Unemployment benefits			82,462	82,462
Forestry improvements			84,339	84,339
Debt service			3,111,137	3,111,137
Ad Valorem	564,756			564,756
Sixteenth section			8,615	8,615
Food service			288,820	288,820
Assigned				
Funding activity	2,000,000			2,000,000
Special activity	74,234			74,234
General activity	598,120			598,120
Unassigned	10,558,528			10,558,528
Total Fund Balances	13,817,440	0	3,702,253	17,519,693
Total Liabilities and Fund Balances	\$ 14,189,804	106,557	3,840,006	18,136,367

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

Clinton Public School District**Exhibit C-1**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2015

	<u>Amount</u>
Total Fund Balances for Governmental Funds	\$ 17,519,693
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 \$22,730,664.	55,493,369
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(41,433,617)
3. Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Position recognizes interest as it accrues.	(211,700)
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.	397,551
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.	(66,423)
6. Recognition of the SD's proportionate share of the net pension liability is not reported in the funds.	(37,202,153)
7. Deferred inflows of resources related to PERS are not reported in the funds.	(6,748,015)
8. Deferred outflows of resources related to PERS are not reported in the funds.	3,872,689
Net Position of Governmental Activities	\$ <u><u>(8,378,606)</u></u>

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

Clinton Public School District

Exhibit D

Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2015

	Major Funds			Total Governmental Funds
	General Fund	Title I Fund	Other Governmental Funds	
Revenues:				
Local sources	\$ 12,761,203		4,160,827	16,922,030
State sources	21,094,441		918,337	22,012,778
Federal sources	125,545	763,081	2,812,679	3,701,305
Sixteenth section sources	468,724		49,114	517,838
Total Revenues	34,449,913	763,081	7,940,957	43,153,951
Expenditures:				
Instruction	19,899,884	667,099	1,860,089	22,427,072
Support services	14,107,098	55,894	939,866	15,102,858
Noninstructional services	15,717	10,088	1,861,562	1,887,367
Facilities Acquisition and Construction	26,605			26,605
Sixteenth section	58,158		12,378	70,536
Debt service:				
Principal	1,317,500		2,585,000	3,902,500
Interest	46,529		1,081,827	1,128,356
Other			7,628	7,628
Total Expenditures	35,471,491	733,081	8,348,350	44,552,922
Excess (Deficiency) of Revenues over Expenditures	(1,021,578)	30,000	(407,393)	(1,398,971)
Other Financing Sources (Uses):				
Inception of capital lease	397,283			397,283
Insurance loss recoveries	1,150			1,150
Sale of transportation equipment	5,200			5,200
Sale of other property	775,000			775,000
Operating transfers in	119,995		947,015	1,067,010
Other financing sources			402,089	402,089
Operating transfers out	(947,015)	(30,000)	(89,995)	(1,067,010)
Other financing uses			(402,089)	(402,089)
Total Other Financing Sources (Uses)	351,613	(30,000)	857,020	1,178,633
Net Change in Fund Balances	(669,965)	-	449,627	(220,338)
Fund Balances:				
July 1, 2014, as previously reported	11,755,464	-	5,999,106	17,754,570
Fund reclassification	2,731,941		(2,731,941)	
July 1, 2014, as restated	14,487,405		3,267,165	17,754,570
Increase in reserve for inventory			(14,539)	(14,539)
June 30, 2015	\$ 13,817,440	-	3,702,253	17,519,693

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

Clinton Public School District
 Reconciliation of the Governmental Funds Statement of Revenues,
 Expenditures and Changes in Fund Balances to the Statement of Activities
 For the Year Ended June 30, 2015

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balances - Total Governmental Funds	\$ (220,338)
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 \$460,229 and the depreciation expense amounted to \$2,014,934.	(1,554,705)
2. Disposals of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds.	(159,326)
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	(397,283)
Payment of debt principal	3,902,500
Amortization of premiums on refunding bonds	11,071
Amortization of discount on refunding debt	(66,259)
Accrued interest payable	<u>27,823</u>
	3,477,852
4. Some items reported in the Statement of Activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:	
Change in compensated absences	6,295
Change in inventory	(14,539)
5. Pension contributions made after the measurement date were de-expensed and reduced NPL.	3,292,346
6. The SD's share of the unrecognized deferred inflows and outflows for PERS had to be amortized.	(2,032,043)
7. Rounding difference	1
Change in Net Position of Governmental Activities	\$ <u><u>2,795,543</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, 2015

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ <u>1,613,097</u>
Total Assets	\$ <u><u>1,613,097</u></u>
Liabilities	
Accounts payable and accrued liabilities	\$ 1,506,952
Due to other funds	75
Due to student clubs	<u>106,070</u>
Total Liabilities	\$ <u><u>1,613,097</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, 2015

Clinton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2015

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:

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds,

Clinton Public School District

Notes to the Financial Statements For the Year Ended June 30, 2015

notes and other debt attributable to the acquisition, construction or improvement of those assets.

2. Restricted net position result 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 tax 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.

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

The District also reports fiduciary funds include the following:

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

Clinton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2015

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

FIDUCIARY FUNDS

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available.

Clinton Public School District

Notes to the Financial Statements For the Year Ended June 30, 2015

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

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

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

Clinton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2015

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, deferred outflows/inflows 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.

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.

Clinton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2015

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. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this account.

Clinton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2015

6. Capital Assets

Capital assets, which include land, buildings, building improvements, vehicles, machinery, equipment, 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, 2015

7. Deferred outflows/inflows of resources

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

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

See Note 14 for details.

8. Compensated Absences

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

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

9. 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.

Clinton Public School District

Notes to the Financial Statements For the Year Ended June 30, 2015

Issuance costs are reported as expenditures. See Note 6 for details.

10. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, the benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. 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 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

Clinton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2015

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.

12. New Pronouncements

In June 2012, the GASB issued GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, note disclosure and required supplementary information requirements about pensions also are addressed. This Statement is effective for fiscal years beginning after June 15, 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:

Clinton Public School District

Notes to the Financial Statements For the Year Ended June 30, 2015

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

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest surplus funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposits and interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, the principal and interest of which are fully guaranteed by the government or enumerated agency of the United States; (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. 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 \$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 \$15,587,250 and \$1,613,097, respectively. A portion of this amount, \$99,684, is presented as restricted assets on

Exhibit A.

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

Clinton Public School District

Notes to the Financial Statements For the Year Ended June 30, 2015

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, 2015, none of the district's bank balance of \$18,783,405 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 \$25,366.

Investments.

As of June 30, 2015, 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 13	US Treasury Deposit	Various	<u>\$ 1,446,801</u>

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 \$1,446,801 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.

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

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

Clinton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2015

A. Due From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Title I Fund	\$ 106,046
	Other Governmental Funds	124,324
	Fiduciary Funds	<u>75</u>
Total		<u>\$ 230,445</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	\$ 947,015
Title I Fund	General Fund	30,000
Other Governmental Funds	General Fund	<u>89,995</u>
Total		<u>\$ 1,067,010</u>

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

Note 4 - Restricted Assets

The restricted assets represent the cash balance totaling \$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 \$25,366 and \$1,446,801, respectively. \$9,428 is held for RefPay in Athletic Activity Fund (General Fund) and \$15,938 and \$1,446,801 is held for the QSCB – 2010 Note Fund.

Note 5 - Capital Assets

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

Clinton Public School District

Notes to the Financial Statements For the Year Ended June 30, 2015

	<u>Balance</u> 7-1-2014	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> 6-30-2015
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 331,098	\$ _____	\$ 104,388	\$ 226,710
Total non-depreciable capital assets	<u>331,098</u>	<u>_____</u>	<u>104,388</u>	<u>226,710</u>
<u>Depreciable capital assets:</u>				
Buildings	60,121,284		123,510	59,997,774
Building improvements	310,793			310,793
Improvement other than buildings	11,269,912	26,605		11,296,517
Mobile equipment	4,428,988	376,482	287,728	4,617,742
Furniture and equipment	1,863,659	57,142	146,304	1,774,497
Total depreciable capital assets	<u>78,094,636</u>	<u>460,229</u>	<u>557,542</u>	<u>77,997,323</u>
<u>Less accumulated depreciation for:</u>				
Buildings	13,579,333	1,129,967	98,808	14,610,492
Building improvements	95,361	12,432		107,793
Improvement other than buildings	2,894,843	451,861		3,346,704
Mobile equipment	3,050,767	246,673	258,955	3,038,485
Furniture and equipment	1,598,030	174,001	144,841	1,627,190
Total accumulated depreciation	<u>21,218,334</u>	<u>2,014,934</u>	<u>502,604</u>	<u>22,730,664</u>
Total depreciable capital assets, net	<u>56,876,302</u>	<u>(1,554,705)</u>	<u>54,938</u>	<u>55,266,659</u>
Governmental activities capital assets, net	<u>\$ 57,207,400</u>	<u>\$ (1,554,705)</u>	<u>\$ 159,326</u>	<u>\$ 55,493,369</u>

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 1,606,275
Support services	376,956
Non-instructional	<u>31,703</u>
Total depreciation expense	<u>\$ 2,014,934</u>

Note 6 - Long-term Liabilities

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

Clinton Public School District

Notes to the Financial Statements For the Year Ended June 30, 2015

	Balance 7-1-2014	Additions	Reductions	Balance 6-30-2015	Amounts due within one year
A. General obligation bonds payable	\$ 33,500,000	\$	\$ 2,285,000	\$ 31,215,000	\$ 2,435,000
Premiums/Discounts	-386,316		-55,188	-331,128	-55,188
B. Three mill notes payable	7,610,000		300,000	7,310,000	310,000
C. Obligations under capital leases	3,570,213	397,283	1,317,500	2,649,996	1,324,992
D. Compensated absences payable	264,916		6,295	258,621	8,606
Total	\$ 44,558,813	\$ 397,283	\$ 3,853,607	\$ 41,102,489	\$ 4,023,410

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	\$ 2,950,000
General Obligation Bonds, Series 2010	3.00- 4.25%	12-23-10	06-01-30	14,000,000	11,560,000
General Obligation Bonds, Series 2011	2.50- 3.25%	10-01-11	10-01-28	9,000,000	8,320,000
General Obligation Bonds, Series 2012	1.20- 1.50%	05-30-12	06-01-18	500,000	230,000
General Obligation Bonds, Series 2012 – Refunded 2005	2.00- 2.13%	05-30-12	03-15-22	8,490,000	8,155,000
Total				\$ 49,490,000	\$ 31,215,000

Clinton Public School District

Notes to the Financial Statements For the Year Ended June 30, 2015

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
2016	\$ 1,425,000	\$ 118,000	\$ 1,543,000
2017	<u>1,525,000</u>	<u>61,000</u>	<u>1,586,000</u>
Total	<u>\$ 2,950,000</u>	<u>\$ 179,000</u>	<u>\$ 3,129,000</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
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	665,000	349,737	1,014,737
2021 – 2025	3,790,000	1,317,175	5,107,175
2026 – 2030	<u>4,730,000</u>	<u>515,125</u>	<u>5,245,125</u>
Total	<u>\$ 11,560,000</u>	<u>\$ 3,832,024</u>	<u>\$ 15,392,024</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, 2015

3. Bond issue of Series 2011:

Year Ending June 30	Principal	Interest	Total
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	400,000	178,344	578,344
2021 – 2025	2,950,000	698,703	3,648,703
2026 – 2029	3,650,000	217,468	3,867,468
Total	<u>\$ 8,320,000</u>	<u>\$ 1,911,784</u>	<u>\$ 10,231,784</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	Principal	Interest	Total
2016	\$ 80,000	\$ 6,900	\$ 86,900
2017	80,000	6,000	86,000
2018	70,000	3,500	73,500
Total	<u>\$ 230,000</u>	<u>\$ 16,400</u>	<u>\$ 246,400</u>

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

5. Bond issue of Refunded Series 2012:

Year Ending June 30	Principal	Interest	Total
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	1,845,000	90,688	1,935,688
2021- 2022	2,630,000	73,975	2,703,975
Total	<u>\$ 8,155,000</u>	<u>\$ 777,713</u>	<u>\$ 8,932,713</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

Clinton Public School District

Notes to the Financial Statements For the Year Ended June 30, 2015

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.

Net discounts and premiums on refunding debt:

Year Ending June 30	Net
2016	\$ 55,188
2017	55,188
2018	55,188
2019	55,188
2020-2022	110,376
Total	<u>\$ 331,128</u>

The total general obligation bond payments for all issues:

Year Ending June 30	Principal	Interest	Total
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	2,910,000	618,769	3,528,769
2021 – 2025	9,370,000	2,089,853	11,459,853
2026 - 2030	8,380,000	732,593	9,112,593
Total	<u>\$ 31,215,000</u>	<u>\$ 6,716,921</u>	<u>\$ 37,931,921</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, 2015 the amount of outstanding bonded indebtedness was equal to 12.5% of property assessments as of October 1, 2014

B. Three mill notes payable

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

Clinton Public School District

Notes to the Financial Statements For the Year Ended June 30, 2015

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	\$ 1,310,000
Three mill note, Series 2010	0%	12-16-10	12-01-25	6,000,000	6,000,000
Total				\$ 8,935,000	\$ 7,310,000

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
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	\$ 1,310,000	\$ 97,284	\$ 1,407,284

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 12 for required sinking fund payments.

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 \$397,283 with a down payment of \$103,442 in 2014-2015 and \$4,251,758 with a down payment of \$1,083,463 in 2013-2014. These leases qualifies 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

Clinton Public School District

Notes to the Financial Statements For the Year Ended June 30, 2015 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	\$ 118,084
Capital lease, March 2013 Issue	2.127%	3-25-13	7-25-16	224,389	112,369
Capital lease, July 2013 Issue	1.29%	7-25-13	7-25-16	4,251,758	2,125,703
Capital lease, July 2014 Issue	2.78%	7-25-14	7-25-17	397,283	293,840
Total				<u>\$ 5,343,678</u>	<u>\$ 2,649,996</u>

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

1. Capital lease issue of Sept 2012:

Year Ending June 30	Principal	Interest	Total
2016	\$ 118,084	\$ 1,063	\$ 119,147
Total	<u>\$ 118,084</u>	<u>\$ 1,063</u>	<u>\$ 119,147</u>

This debt will be retired from the District Maintenance Fund.

2. Capital lease issue of March 2013:

Year Ending June 30	Principal	Interest	Total
2016	\$ 55,593	\$ 2,390	\$ 57,983
2017	56,776	1,208	57,984
Total	<u>\$ 112,369</u>	<u>\$ 3,598</u>	<u>\$ 115,967</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
2016	\$ 1,056,041	\$ 27,416	\$ 1,083,457
2017	1,069,662	13,799	1,083,461
Total	<u>\$ 2,125,703</u>	<u>\$ 41,215</u>	<u>\$ 2,166,918</u>

Clinton Public School District

Notes to the Financial Statements For the Year Ended June 30, 2015

This debt will be retired from the District Maintenance Fund.

4. Capital lease issue of July 2014:

Year Ending June 30	Principal	Interest	Total
2016	\$ 95,274	\$ 8,169	\$ 103,443
2017	97,922	5,520	103,442
2018	100,644	2,798	103,442
Total	<u>\$ 293,840</u>	<u>\$ 16,487</u>	<u>\$ 310,327</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
2016	\$ 1,324,992	\$ 39,038	\$ 1,364,030
2017	1,224,360	20,527	1,244,887
2018	100,644	2,798	103,442
Total	<u>\$ 2,649,996</u>	<u>\$ 62,363</u>	<u>\$ 2,712,359</u>

D. Compensated absences payable

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

Note 7 - Other Commitments

Operating leases:

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

Lease expenditures for the year ended June 30, 2015, amounted to \$48,457. Future lease payments for these leases are as follows:

Clinton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2015

Year Ending June 30	Amount
2016	\$ 53,646
2017	53,645
2018	52,826
2019	30,832
Total	<u>\$ 190,949</u>

Note 8 - Defined Benefit Pension Plan

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report 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.

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

Clinton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2015

member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2015 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2015, 2014 and 2013 were \$3,292,346, \$2,949,671 and \$2,785,758, respectively, which equaled the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the school district reported a liability of \$37,202,153 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2014, the school district's proportion was .306489% percent.

For the year ended June 30, 2015, the District recognized pension expense of \$2,032,043. At June 30, 2015 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual Experience	\$ 580,343	\$
Net difference between projected and actual earnings on pension plan investments		5,392,725
Changes of assumptions		1,355,290
Changes in proportion and differences between District contributions and proportionate share of Contributions		
District contributions subsequent to the measurement date	3,292,346	
Total	\$ <u>3,872,689</u>	\$ <u>6,748,015</u>

\$3,292,346 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred

Clinton Public School District

Notes to the Financial Statements For the Year Ended June 30, 2015

outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2016	\$	1,626,939
2017		1,626,939
2018		1,565,613
2019		<u>1,348,181</u>
Total	\$	6,167,672

Actuarial assumptions. The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5 percent
Salary increases	4.25 – 19.50 percent, including inflation
Investment rate of return	8.00 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2025, set forward two years for males.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2012. The experience report is dated June 12, 2013.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
U.S. Broad	34	%	5.20	%
International Equity	19		5.00	
Emerging Markets Equity	8		5.45	
Fixed Income	20		0.25	
Real Assets	10		4.00	
Private Equity	8		6.15	
Cash	1		(0.50)	
Total	<u>100</u>	<u>%</u>		

Clinton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2015

Discount rate. The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
District's proportionate share of the net pension liability	\$ 50,717,628	\$ 37,202,153	\$ 25,928,237

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

Note 9 -Sixteenth Section Lands

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

Clinton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2015

Year Ending June 30	Amount
2016	\$ 147,647
2017	141,083
2018	80,345
2019	79,786
2020	73,539
2021– 2025	330,375
2026– 2030	264,235
2031– 2035	79,765
2036– 2040	16,825
Thereafter	<u>17,260</u>
Total	<u>\$ 1,230,860</u>

Note 10 –Contingencies

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

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

Note 11-Risk Management

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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.

Clinton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2015

Note 12-Qualified School Construction Bonds

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

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for 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 issuance and 100% must be spent within three years. The amount on deposit at June 30, 2015 was \$1,462,739. 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
2016	\$ 415,000
2017	415,000
2018	415,000
2019	415,000
2020	415,000
2021 – 2025	2,079,000
2026	416,000
Total	<u>\$ 4,570,000</u>

Clinton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2015

Note 13-Insurance Loss Recoveries

The Clinton Public School District received \$1,150 in insurance loss recoveries related to vehicle damage claims during the 2014-2015 fiscal year.

Note 14-Effects of Deferred Amounts on Net position

The unrestricted net position amount of \$(27,105,218) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$3,872,689 balance of deferred outflow of resources, at June 30, 2015 will be recognized as an expense and will decrease the unrestricted net pension over the next 3 years.

The unrestricted net position amount of \$(27,105,218) includes the effect of deferring the recognition of revenues resulting from a deferred inflow from pensions. The \$6,748,015 balance of deferred inflow of resources at June 30, 2015 will be recognized as revenue and will increase the unrestricted net position over the next 4 years.

Note 15-Fund Reclassification

The Sixteenth Section Interest Fund beginning fund balance of \$2,731,941 was reclassified from the Special Revenue Fund to the General Fund, effective July 1, 2014. This change was necessary to meet the requirements of GASB 54 and to stay in compliance with the reporting requirements based on Sections 29-3-115 and 29-3-117, Miss. Code of 1972.

Note 16-Prior Period Adjustments

A summary of significant Net Position adjustments is as follows:

Exhibit B – Statement of Activities

<u>Explanation</u>		
1. Implementation of GASB 68 and 71:		\$
Net pension liability (06-30-14)	(44,287,454)	
Deferred outflows – contributions made during fiscal year 2014	<u>2,949,671</u>	
Total prior period adjustment related to GASB 68 and 71		<u>\$ (41,337,783)</u>

Note 17-Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial

Clinton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2015

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 the date the financial statements were available to be issued, and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Clinton Public School District
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2015

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 12,632,405	12,820,138	12,761,203	187,733	(58,935)
State sources	21,266,982	21,117,087	21,094,441	(149,895)	(22,646)
Federal sources	55,900	126,000	125,545	70,100	(455)
Sixteenth section sources	-	469,366	468,724	469,366	(642)
Total Revenues	<u>33,955,287</u>	<u>34,532,591</u>	<u>34,449,913</u>	<u>577,304</u>	<u>(82,678)</u>
Expenditures:					
Instruction	19,357,794	20,283,648	19,899,884	(925,854)	383,764
Support services	12,926,362	14,329,811	14,107,098	(1,403,449)	222,713
Noninstructional services	27,100	29,100	15,717	(2,000)	13,383
Facilities, acquisition and construction	-	-	26,605	-	(26,605)
Sixteenth section	-	59,012	58,158	(59,012)	854
Debt service:					
Principal	1,214,058	1,317,500	1,317,500	(103,442)	-
Interest	46,535	46,535	46,529	-	6
Total Expenditures	<u>33,571,849</u>	<u>36,065,606</u>	<u>35,471,491</u>	<u>(2,493,757)</u>	<u>594,115</u>
Excess (Deficiency) of Revenues over Expenditures	<u>383,438</u>	<u>(1,533,015)</u>	<u>(1,021,578)</u>	<u>(1,916,453)</u>	<u>511,437</u>
Other Financing Sources (Uses):					
Insurance loss recoveries	-	1,151	1,150	1,151	(1)
Sale of transportation equipment	-	5,200	5,200	5,200	-
Sale of other property	-	775,000	775,000	775,000	-
Inception of capital lease	-	397,283	397,283	397,283	-
Operating transfers in	4,171,932	6,005,547	119,995	1,833,615	(5,885,552)
Operating transfers out	(5,293,575)	(6,835,835)	(947,015)	(1,542,260)	5,888,820
Total Other Financing Sources (Uses)	<u>(1,121,643)</u>	<u>348,346</u>	<u>351,613</u>	<u>1,469,989</u>	<u>3,267</u>
Net Change in Fund Balances	(738,205)	(1,184,669)	(669,965)	(446,464)	514,704
Fund Balances:					
July 1, 2014, as previously reported	9,616,449	14,487,406	11,755,464	4,870,957	(2,731,942)
Fund reclassification	-	-	2,731,941	-	2,731,941
July 1, 2014, as restated	9,616,449	14,487,406	14,487,405	4,870,957	(1)
June 30, 2015	<u>\$ 8,878,244</u>	<u>13,302,737</u>	<u>13,817,440</u>	<u>4,424,493</u>	<u>514,703</u>

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

Clinton Public School District
 Budgetary Comparison Schedule
 Title I Fund
 For the Year Ended June 30, 2015

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 837,699	1,043,989	763,081	206,290	(280,908)
Total Revenues	<u>837,699</u>	<u>1,043,989</u>	<u>763,081</u>	<u>206,290</u>	<u>(280,908)</u>
Expenditures:					
Instruction	713,557	837,122	667,099	(123,565)	170,023
Support services	97,642	161,827	55,894	(64,185)	105,933
Noninstructional services	7,500	15,040	10,088	(7,540)	4,952
Total Expenditures	<u>818,699</u>	<u>1,013,989</u>	<u>733,081</u>	<u>(195,290)</u>	<u>280,908</u>
Excess (Deficiency) of Revenues over Expenditures	<u>19,000</u>	<u>30,000</u>	<u>30,000</u>	<u>11,000</u>	<u>-</u>
Other Financing Sources (Uses):					
Operating transfers out	<u>(19,000)</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>(11,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(19,000)</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>(11,000)</u>	<u>-</u>
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2014	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
June 30, 2015	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

Clinton Public School District

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

PERS

Last 10 Fiscal Years*

	<u>2015</u>
District's proportion of the net pension liability (asset) \$	37,202,153
District's proportionate share of the net pension liability (asset)	0.306489%
District's covered - employee payroll	18,728,070
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	198.643817%
Plan fiduciary net position as a percentage of the total pension liability	67.207687%

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

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

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

Clinton Public School District
 Schedule of District Contributions
 PERS
 Last 10 Fiscal Years*

	2015
Contractually required contribution	\$ <u>3,292,346</u>
Contributions in relation to the contractually required contribution	3,292,346
Contribution deficiency (excess)	\$ <u><u>-</u></u>
District's covered - employee payroll	20,903,784
Contributions as a percentage of covered - employee payroll	15.75%

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

Clinton Public School District

Notes to the Required Supplementary Information
For the Year Ended June 30, 2015

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 a major Special Revenue Fund consistent with accounting principles generally accepted in the United States of America.

Pension Schedules

(1) Changes of benefit terms

None.

(2) Changes of assumptions

None.

SUPPLEMENTARY INFORMATION

Clinton Public School District
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2015

Schedule 1

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U. S. DEPARTMENT OF AGRICULTURE</u>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 164,665
National School Lunch Program	10.555	1,249,808
Total Child Nutrition Cluster		<u>1,414,473</u>
Total passed-through Mississippi Department of Education		<u>1,414,473</u>
Total U. S. Department of Agriculture		<u>1,414,473</u>
<u>FEDERAL COMMUNICATIONS COMMISSION</u>		
Administered through Universal Service Administrative Company:		
The School and Libraries Program of the Universal Service Fund	32.xxx	125,545
Total Federal Communications Commission		<u>125,545</u>
<u>U. S. DEPARTMENT OF EDUCATION</u>		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	763,081
Career and Technical Education - Basic Grants to States	84.048	44,404
English Language Acquisition Grants	84.365	43,507
Improving Teacher Quality - State Grants	84.367	229,919
Subtotal		<u>1,080,911</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	1,059,570
Special Education - Preschool Grants	84.173	20,805
Total Special Education Cluster		<u>1,080,375</u>
Total passed-through the Mississippi Department of Education		<u>2,161,286</u>
Total U. S. Department of Education		<u>2,161,286</u>
TOTAL FOR ALL FEDERAL AWARDS		<u>\$ 3,701,304</u>

Notes to Schedule

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

Clinton Public School District

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
 For the Year Ended June 30, 2015

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits \$	28,232,915	21,452,443	1,252,924	2,060,341	3,467,207
Other	<u>16,320,007</u>	<u>3,114,396</u>	<u>271,450</u>	<u>60,686</u>	<u>12,873,475</u>
Total	<u>\$ 44,552,922</u>	<u>24,566,839</u>	<u>1,524,374</u>	<u>2,121,027</u>	<u>16,340,682</u>
Total number of students*	<u>4,901</u>				
Cost per student	<u>\$ 9,092</u>	<u>5,013</u>	<u>311</u>	<u>434</u>	<u>3,334</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 all 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

	<u>2015</u>	<u>2014*</u>	<u>2013*</u>	<u>2012 *</u>
Revenues:				
Local sources	\$ 12,761,203	12,203,173	11,656,569	10,623,998
State sources	21,094,441	19,545,348	18,771,506	18,402,772
Federal sources	125,545	53,073	134,443	97,538
Sixteenth section sources	468,724	-	-	-
Total Revenues	<u>34,449,913</u>	<u>31,801,594</u>	<u>30,562,518</u>	<u>29,124,308</u>
Expenditures:				
Instruction	19,899,884	22,130,865	18,059,623	16,674,042
Support services	14,107,098	15,202,604	12,142,263	10,285,283
Noninstructional services	15,717	18,425	12,166	15,839
Facilities, acquisition and construction	26,605	-	-	-
Sixteenth section	58,158	-	-	-
Debt service:				
Principal	1,317,500	1,257,035	119,147	-
Interest	46,529	3,557	-	-
Total Expenditures	<u>35,471,491</u>	<u>38,612,486</u>	<u>30,333,199</u>	<u>26,975,164</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(1,021,578)</u>	<u>(6,810,892)</u>	<u>229,319</u>	<u>2,149,144</u>
Other Financing Sources (Uses):				
Insurance loss recoveries	1,150	4,365,948	1,018,450	16,852
Inception of capital lease	397,283	4,251,758	694,637	-
Sale of transportation equipment	5,200	-	-	3,896
Sale of other property	775,000	-	-	3,500
Operating transfers in	119,995	91,967	90,857	88,036
Operating transfers out	(947,015)	(835,010)	(1,023,909)	(1,404,498)
Total Other Financing Sources (Uses)	<u>351,613</u>	<u>7,874,663</u>	<u>780,035</u>	<u>(1,292,214)</u>
Net Change in Fund Balances	(669,965)	1,063,771	1,009,354	856,930
Fund Balances:				
July 1, as previously reported	<u>11,755,464</u>	<u>10,691,693</u>	<u>9,682,339</u>	<u>8,825,409</u>
Fund reclassification	<u>2,731,941</u>	<u>-</u>	<u>-</u>	<u>-</u>
July 1, as restated	<u>14,487,405</u>	<u>10,691,693</u>	<u>9,682,339</u>	<u>8,825,409</u>
June 30	<u>\$ 13,817,440</u>	<u>11,755,464</u>	<u>10,691,693</u>	<u>9,682,339</u>

* SOURCE - PRIOR YEAR AUDIT REPORTS ADJUSTED FOR 16TH SECTION INTEREST

Clinton Public School District

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

All Governmental Funds

Last Four Years

	2015	2014 *	2013 *	2012 *
Revenues:				
Local sources	\$ 16,922,030	15,970,155	15,082,159	14,074,643
State sources	22,012,778	20,385,200	19,529,653	19,310,218
Federal sources	3,701,305	3,449,803	3,465,873	3,285,936
Sixteenth section sources	517,838	573,692	225,290	210,520
Total Revenues	<u>43,153,951</u>	<u>40,378,850</u>	<u>38,302,975</u>	<u>36,881,317</u>
Expenditures:				
Instruction	22,427,072	24,452,826	20,340,430	19,118,449
Support services	15,102,858	17,035,849	14,089,132	12,908,375
Noninstructional services	1,887,367	1,806,906	2,013,961	1,797,210
Sixteenth section	70,536	55,725	45,953	38,632
Facilities acquisitions & construction	26,605	49,867	1,101,465	20,940,530
Debt service:				
Principal	3,902,500	3,347,035	2,044,147	1,455,000
Interest	1,128,356	1,150,192	1,293,484	1,148,730
Other	7,628	6,643	6,114	8,588,248
Total Expenditures	<u>44,552,922</u>	<u>47,905,043</u>	<u>40,934,686</u>	<u>65,995,174</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(1,398,971)</u>	<u>(7,526,193)</u>	<u>(2,631,711)</u>	<u>(29,113,857)</u>
Other Financing Sources (Uses):				
Proceeds of bonds	-	-	-	9,500,000
Proceeds of refunding bonds	-	-	-	8,490,000
Inception of capital lease	397,283	4,251,758	694,637	-
Premiums on refunding bondss	-	-	-	99,636
Insurance loss recoveries	1,150	4,365,948	1,018,450	16,852
Sale of transportation equipment	5,200	-	-	3,896
Sale of other property	775,000	-	-	3,500
Operating transfers in	1,067,010	926,977	1,114,766	1,573,002
Other financing sources	402,089	408,200	350,000	250,000
Operating transfers out	(1,067,010)	(926,977)	(1,114,766)	(1,573,002)
Other financing uses	(402,089)	(408,200)	(347,217)	(250,000)
Total Other Financing Sources (Uses)	<u>1,178,633</u>	<u>8,617,706</u>	<u>1,715,870</u>	<u>18,113,884</u>
Net Change in Fund Balances	(220,338)	1,091,513	(915,841)	(10,999,973)
Fund Balances:				
July 1	17,754,570	16,686,184	17,590,491	28,601,918
Increase (Decrease) in inventory	<u>(14,539)</u>	<u>(23,127)</u>	<u>11,534</u>	<u>(11,454)</u>
June 30	<u>\$ 17,519,693</u>	<u>17,754,570</u>	<u>16,686,184</u>	<u>17,590,491</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, 2015, 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, 2015.

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, 2015

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 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, 2015. 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, 2015.

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, 2015

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, 2015, which collectively comprise Clinton Public School District's basic financial statements and have issued our report thereon dated December 16, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to 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, 2015

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, 2015

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>
84.010	Title I Grants to Local Educational Agencies
84.367	Improving Teacher Quality - State Grants

8. Dollar threshold used to distinguish between type A and type B programs: \$300,000.
9. Auditee qualified as low-risk auditee? Yes.

Section II: Financial Statement Findings

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