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Clarksdale Municipal School District
Audited Financial Statements
June 30, 2011

Fortenberry & Ballard, PC
Certified Public Accountants

**Clarksdale Municipal 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 SUPPLEMENTAL INFORMATION

Superintendent and School Board
Clarksdale Municipal School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clarksdale Municipal School District as of and for the year ended June 30, 2011, which collectively comprise the Clarksdale Municipal School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Clarksdale Municipal School District's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the district's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Clarksdale Municipal School District, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2011, on our consideration of the Clarksdale Municipal 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Clarksdale Municipal School District's basic financial statements. The other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
November 10, 2011

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

Clarksdale Municipal School District
Management's Discussion and Analysis
For the Year Ended June 30, 2011

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

FINANCIAL HIGHLIGHTS

- Total net assets for 2011 increased \$71,402, including a prior period adjustment of (\$29,861), which represents almost a 1% increase from fiscal year 2010. Total net assets for 2010 increased \$318,715, including a prior period adjustment of (\$7,590), which represents a 3% increase from fiscal year 2009.
- General revenues amounted to \$21,223,912 and \$21,250,106, or 68% and 69% of all revenues for fiscal years 2011 and 2010, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$10,031,314, or 32% of total revenues for 2010, and 9,509,150, or 31% of total revenues for 2010.
- The District had \$31,154,323 and \$30,432,951 in expenses for fiscal years 2011 and 2010; only \$10,031,314 for 2011 and \$9,509,150 for 2010 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$21,223,912 for 2011 and \$21,250,106 for 2010 were adequate to provide for these programs.
- Among the major funds, the General Fund had \$18,486,870 in revenues and \$18,409,918 in expenditures for 2011, and \$18,712,630 in revenues and \$18,713,313 in expenditures for 2010. The General Fund's fund balance decreased by \$408,190 from 2010 to 2011 and decreased by \$156,522 from 2009 to 2010.
- Capital assets, net of accumulated depreciation, increased by \$2,676,138 for 2011 and increased by \$187,116 for 2010. The increase for 2011 was due to additions of construction in progress, mobile and furniture and equipment.
- Long-term debt decreased by \$956,249 for 2011 and increased by \$2,066,306 for 2010. This decrease was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$20,036 for 2011 and increased for 2010 by \$14,946.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Clarksdale Municipal School District
Management's Discussion and Analysis
For the Year Ended June 30, 2011

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Governmental funds - Most of the District's general activities are reported in its governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds are accounted for using the modified accrual basis of accounting and the flow of current financial resources measurement focus. The approach focus 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.

Clarksdale Municipal School District
Management's Discussion and Analysis
For the Year Ended June 30, 2011

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

Clarksdale Municipal School District
Management Discussion and Analysis
For the Year Ended June 30, 2011

Notes to the financial statements

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

Required Supplemental Information

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

Supplemental Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets

Net assets may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$11,693,248 as of June 30, 2011.

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

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

Clarksdale Municipal School District
Management's Discussion and Analysis
For the Year Ended June 30, 2011

Table 1
Condensed Statement of Net Assets

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Current assets	\$ 7,701,848	12,411,188	(38)%
Restricted assets	338,687	90,082	276%
Capital assets, net	<u>14,448,030</u>	<u>11,771,892</u>	23%
Total assets	<u>22,488,565</u>	<u>24,273,162</u>	(7)%
Current liabilities	555,795	1,435,149	(61)%
Long-term debt outstanding	<u>10,239,522</u>	<u>11,215,807</u>	(9)%
Total liabilities	<u>10,795,317</u>	<u>12,650,956</u>	(15)%
Net assets:			
Invested in capital assets, net of related debt	4,533,030	916,892	394%
Restricted	2,705,028	5,878,219	(54)%
Unrestricted	<u>4,455,190</u>	<u>4,827,095</u>	(8)%
Total net assets	<u>\$ 11,693,248</u>	<u>11,622,206</u>	1%

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

- Increase in net capital assets in the amount of \$2,676,138.
- The principal retirement of \$956,249 of long-term debt.

Changes in net assets. The District's total revenues for the fiscal years ended June 30, 2011 and June 30, 2010 were \$31,255,226 and 30,759,256, respectively. The total cost of all programs and services was \$31,154,323 for 2011 and \$30,432,951 for 2010.

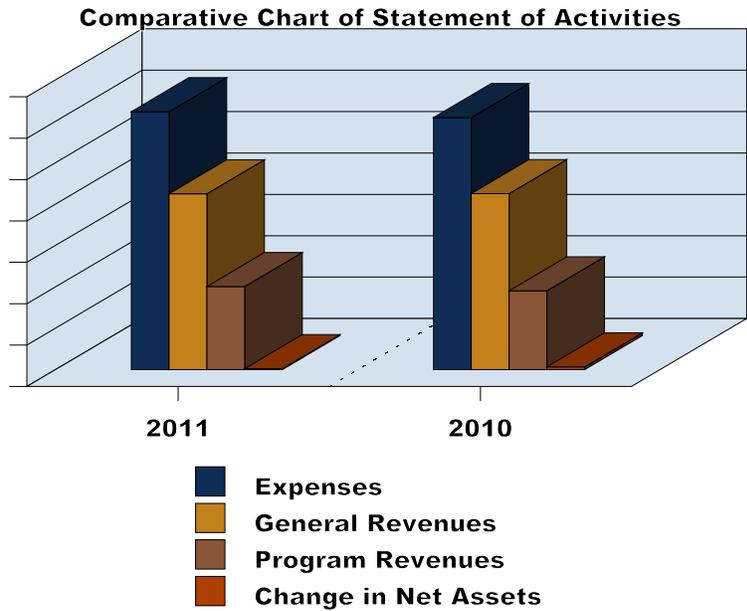
Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2011 and June 30, 2010.

Clarksdale Municipal School District
Management's Discussion and Analysis
For the Year Ended June 30, 2011

Table 2
Changes in Net Assets

	<u>Year Ended June 30, 2011</u>	<u>Year Ended June 30, 2010</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 303,779	252,517	20%
Operating grants and contributions	9,620,736	9,176,103	5%
Capital grants and contributions	<u>106,799</u>	<u>80,530</u>	33%
Total program revenues	<u>10,031,314</u>	<u>9,509,150</u>	5%
General revenues:			
Property and gaming taxes	4,023,996	3,948,572	2%
Grants and contributions not restricted	16,584,163	17,086,170	(3)%
Unrestricted investment earnings	168,633	200,547	(16)%
Sixteenth section sources	85,159		
Other	<u>361,961</u>	<u>14,817</u>	2343%
Total general revenues	<u>21,223,912</u>	<u>21,250,106</u>	0%
Total revenues	<u>31,255,226</u>	<u>30,759,256</u>	2%
Expenses:			
Instruction	15,398,659	17,578,108	(12)%
Support services	12,447,755	10,053,623	24%
Non-instructional	2,595,552	2,431,830	7%
Interest on long-term debt	<u>712,357</u>	<u>369,390</u>	93%
Total expenses	<u>31,154,323</u>	<u>30,432,951</u>	2%
Increase (Decrease) in net assets	<u>100,903</u>	<u>326,305</u>	(69)%
Net Assets, July 1, as originally reported	11,622,206	11,303,491	3%
Prior Period Adjustment	<u>(29,861)</u>	<u>(7,590)</u>	293%
Net Assets, July 1, as restated	<u>11,592,345</u>	<u>11,295,901</u>	3%
Net Assets, June 30	<u>\$ 11,693,248</u>	<u>11,622,206</u>	1%

Clarksdale Municipal School District
Management's Discussion and Analysis
For the Year Ended June 30, 2011



Governmental activities

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

Table 3
Net Cost of Governmental Activities

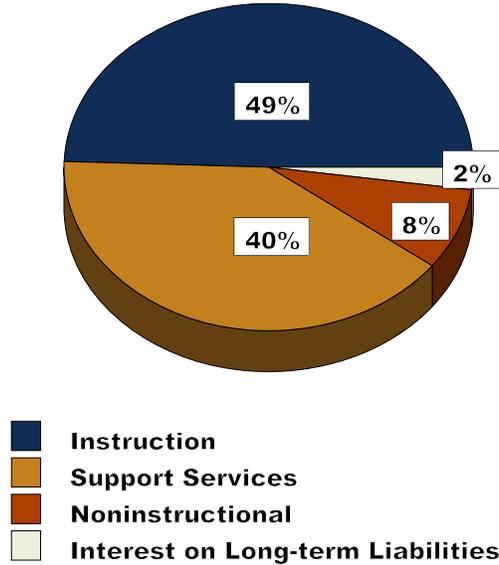
	Total Expenses		
	2011	2010	Percentage Change
Instruction	\$ 15,398,659	17,578,108	(12)%
Support services	12,447,755	10,053,623	24%
Non-instructional	2,595,552	2,431,830	7%
Interest on long-term liabilities	712,357	369,390	93%
Total expenses	\$ 31,154,323	30,432,951	2%

Clarksdale Municipal School District
Management's Discussion and Analysis
For the Year Ended June 30, 2011

Net (Expense) Revenue

	2011	2010	Percentage Change
Instruction	\$ (12,110,050)	(12,761,744)	(5)%
Support services	(8,242,137)	(7,669,350)	7%
Non-instructional	(58,465)	(123,317)	(53)%
Interest on long-term liabilities	(712,357)	(369,390)	93%
Total net (expense) revenue	\$ (21,123,009)	(20,923,801)	1%

Chart of Expenses as per Statement of Activities



- Net cost of governmental activities (\$21,123,009 for 2011 and \$20,923,801 for 2010) was financed by general revenue, which is primarily made up of property taxes (\$4,023,996 for 2011 and \$3,948,572 for 2010) and state and federal revenues (\$16,584,163 for 2011 and \$17,086,170 for 2010). In addition, there was \$85,159 in Sixteenth Section sources for 2011.
- Investment earnings amounted to \$168,633 for 2011 and \$200,547 for 2010.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

Clarksdale Municipal School District
Management's Discussion and Analysis
For the Year Ended June 30, 2011

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$7,552,768, a decrease of \$3,583,968, which includes an increase in reserve for inventory of \$3,174. \$4,610,136 or 61% of the fund balance represents unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$2,942,632 or 39% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$408,190. The fund balance of Other Governmental Funds showed a decrease in the amount of \$2,636,791, which includes an increase in reserve for inventory of \$3,174 due primarily to reflect inventory to actual. The increase (decrease) in the fund balanced for the other major fund were as follows:

Major Fund	Increase (Decrease)
Title I A - Basic Fund	No increase or decrease
School Improvement Grant ARRA Fund	No increase or decrease
Building Project Funds	\$ (538,987)

BUDGETARY HIGHLIGHTS

During the year, the District revised the annual operating budget.

- Budget amounts for local and federal sources in the General Fund were decreased to better reflect revenues received during the fiscal year. Amounts originally budgeted were overstated.
- The District revised the budget to reflect revenue from federal sources and instruction, support services and noninstructional services expenditures in the ARRA Title I Fund and other special revenue funds receiving ARRA funds. The federal funds received were related to the American Recovery and Reinvestment Act (ARRA). However, this additional funding was received subsequent to the approval of the original budget.

Clarksdale Municipal School District
Management's Discussion and Analysis
For the Year Ended June 30, 2011

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2011, the District's total capital assets were \$27,041,555, including land, construction in progress, school buildings, building improvements, mobile equipment, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$2,960,786 from 2010. Total accumulated depreciation as of June 30, 2011, was \$12,593,525, and total depreciation expense for the year was \$525,605, resulting in total net capital assets of \$14,448,030.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Land	\$ 203,061	203,061	0%
Construction in progress	1,869,844	261,871	614%
Buildings	8,183,386	8,399,224	(3)%
Building improvements	3,268,293	1,799,136	82%
Mobile equipment	624,760	746,444	(16)%
Furniture and equipment	298,686	362,156	(18)%
Total	<u>\$ 14,448,030</u>	<u>11,771,892</u>	<u>23%</u>

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

Debt Administration. At June 30, 2011, the District had \$10,239,522 in outstanding long-term debt, of which \$970,000 is due within one year. The liability for compensated absences decreased by \$20,036 from the prior year.

Clarksdale Municipal School District
Management's Discussion and Analysis
For the Year Ended June 30, 2011

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 3,285,000	3,770,000	(13)%
Limited obligation bonds payable	3,630,000	4,085,000	(11)%
Qualified school construction bonds payable	3,000,000	3,000,000	0%
Other loans payable	0	16,249	(100)%
Compensated absences payable	324,522	344,558	(6)%
Total	<u>\$ 10,239,522</u>	<u>11,215,807</u>	<u>(9)%</u>

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

CURRENT ISSUES

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

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

Enrollment for the 2010-2011 year decreased by 3% to 3,412 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Clarksdale Municipal School District, PO Box 1088, Clarksdale, MS 38614.

FINANCIAL STATEMENTS

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2011

	Governmental Activities
Assets	
<i>Cash and cash equivalents</i>	\$ 6,021,051
<i>Due from other governments</i>	1,616,118
<i>Inventories</i>	22,765
<i>Prepaid items</i>	41,914
<i>Restricted assets</i>	338,687
<i>Capital assets, non-depreciable:</i>	
<i>Land</i>	203,061
<i>Construction in progress</i>	1,869,844
<i>Capital assets, net of accumulated depreciation:</i>	
<i>Buildings</i>	8,183,386
<i>Building improvements</i>	3,268,293
<i>Mobile equipment</i>	624,760
<i>Furniture and equipment</i>	298,686
Total Assets	<u>22,488,565</u>
Liabilities	
<i>Accounts payable and accrued liabilities</i>	487,767
<i>Interest payable on long-term liabilities</i>	68,028
Long-term liabilities (due within one year):	
<i>Capital related liabilities</i>	970,000
Long-term liabilities (due beyond one year):	
<i>Capital related liabilities</i>	8,945,000
<i>Non-capital related liabilities</i>	324,522
Total Liabilities	<u>10,795,317</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	4,533,030
Restricted For:	
Expendable:	
School based activities	744,804
Debt Service	1,378,899
Capital projects	496,992
Unemployment benefits	84,333
Unrestricted	4,455,190
Total Net Assets	<u>\$ 11,693,248</u>

The accompanying notes are an integral part of this statement.

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CLARKSDALE MUNICIPAL SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2011

	General Fund	Title I - A Basic Fund
Assets		
<i>Cash and other deposits</i>	\$ 3,557,292	\$ --
<i>Investments</i>	--	--
<i>Due from other governments</i>	206,475	494,238
<i>Due from other funds</i>	998,194	--
<i>Inventories</i>	--	--
<i>Prepaid items</i>	41,914	--
Total Assets	<u>\$ 4,803,875</u>	<u>\$ 494,238</u>
Liabilities and Fund Balances		
Liabilities:		
<i>Accounts payable and accrued liabilities</i>	\$ 24,163	\$ 11,970
<i>Due to other funds</i>	--	482,268
Total Liabilities	<u>24,163</u>	<u>494,238</u>
Fund balances:		
Nonspendable:		
<i>Inventory</i>	--	--
<i>Prepaid items</i>	41,914	--
Restricted:		
<i>Unemployment benefits</i>	--	--
<i>Capital projects</i>	--	--
<i>Debt service</i>	--	--
<i>Grant activities</i>	--	--
<i>Food service</i>	--	--
Assigned:		
<i>Activity</i>	42,132	--
<i>Athletic</i>	71,102	--
<i>Gaming</i>	14,428	--
Unassigned	4,610,136	--
Total Fund Balances	<u>4,779,712</u>	<u>--</u>
Total Liabilities and Fund Balances	<u>\$ 4,803,875</u>	<u>\$ 494,238</u>

The accompanying notes are an integral part of this statement.

School Improvement Grant ARRA	Building Project Funds	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 856,593	\$ 1,851,728	\$ 6,265,613
--	--	94,125	94,125
172,939	--	742,466	1,616,118
--	--	6,327	1,004,521
--	--	22,765	22,765
--	--	--	41,914
<u>\$ 172,939</u>	<u>\$ 856,593</u>	<u>\$ 2,717,411</u>	<u>\$ 9,045,056</u>
\$ 23,765	\$ 359,601	\$ 68,268	\$ 487,767
149,174	--	373,079	1,004,521
<u>172,939</u>	<u>359,601</u>	<u>441,347</u>	<u>1,492,288</u>
--	--	22,765	22,765
--	--	--	41,914
--	--	84,333	84,333
--	496,992	--	496,992
--	--	1,446,927	1,446,927
--	--	193,528	193,528
--	--	528,511	528,511
--	--	--	42,132
--	--	--	71,102
--	--	--	14,428
--	--	--	4,610,136
<u>--</u>	<u>496,992</u>	<u>2,276,064</u>	<u>7,552,768</u>
<u>\$ 172,939</u>	<u>\$ 856,593</u>	<u>\$ 2,717,411</u>	<u>\$ 9,045,056</u>

CLARKSDALE MUNICIPAL SCHOOL DISTRICT
*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS*
 JUNE 30, 2011

Total fund balances - governmental funds balance sheet	\$ 7,552,768
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	14,448,030
Liabilities due in one year.	(970,000)
Payables for bond principal which are not due in the current period are not reported in the funds.	(8,945,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(68,028)
Payables for compensated absences not due in the current period are not reported in the funds.	<u>(324,522)</u>
Net assets of governmental activities	<u>\$ 11,693,248</u>

The accompanying notes are an integral part of this statement.

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CLARKSDALE MUNICIPAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	Title I - A Basic Fund
	<u> </u>	<u> </u>
Revenues:		
Local sources	\$ 3,595,380	\$ --
Intermediate sources	223	--
State sources	14,665,716	--
Federal sources	225,551	3,587,714
Sixteenth section sources	--	--
Total Revenues	<u>18,486,870</u>	<u>3,587,714</u>
Expenditures:		
Instruction	10,605,785	1,431,381
Support services	7,783,824	1,920,358
Noninstructional services	4,060	199,969
Facilities acquisition and construction	--	--
Debt service:		
Principal	16,249	--
Interest	--	--
Other	--	--
Total Expenditures	<u>18,409,918</u>	<u>3,551,708</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>76,952</u>	<u>36,006</u>
Other Financing Sources (Uses):		
Insurance loss recoveries	27,441	--
Transfers In	235,470	--
Other financing sources	10,183	4,865
Transfers Out	(694,772)	(40,871)
Other financing uses	(63,464)	--
Total Other Financing Sources (Uses)	<u>(485,142)</u>	<u>(36,006)</u>
Net Change in Fund Balances	<u>(408,190)</u>	<u>--</u>
Fund Balances:		
July 1, 2010	5,187,902	--
Increase (decrease) in reserve for inventory	--	--
June 30, 2011	<u>\$ 4,779,712</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

School Improvement Grant ARRA	Building Project Funds	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 23,640	\$ 931,613	\$ 4,550,633
--	--	--	223
--	--	1,085,478	15,751,194
960,060	--	5,781,046	10,554,371
--	--	85,159	85,159
<u>960,060</u>	<u>23,640</u>	<u>7,883,296</u>	<u>30,941,580</u>
132,647	--	2,901,376	15,071,189
816,588	--	1,732,502	12,253,272
8,193	--	2,333,944	2,546,166
--	562,627	2,673,397	3,236,024
--	--	940,000	956,249
--	--	708,546	708,546
--	--	5,395	5,395
<u>957,428</u>	<u>562,627</u>	<u>11,295,160</u>	<u>34,776,841</u>
<u>2,632</u>	<u>(538,987)</u>	<u>(3,411,864)</u>	<u>(3,835,261)</u>
--	--	--	27,441
--	--	739,626	975,096
1,000	--	270,157	286,205
(3,632)	--	(235,821)	(975,096)
--	--	(2,063)	(65,527)
<u>(2,632)</u>	<u>--</u>	<u>771,899</u>	<u>248,119</u>
<u>--</u>	<u>(538,987)</u>	<u>(2,639,965)</u>	<u>(3,587,142)</u>
--	1,035,979	4,912,855	11,136,736
--	--	3,174	3,174
<u>\$ --</u>	<u>\$ 496,992</u>	<u>\$ 2,276,064</u>	<u>\$ 7,552,768</u>

CLARKSDALE MUNICIPAL SCHOOL DISTRICT
*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2011*

Net change in fund balances - total governmental funds	\$ (3,587,142)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	3,333,932
The depreciation of capital assets used in governmental activities is not reported in the funds.	(525,605)
Trade-in or disposal of capital assets decrease net assets in the SOA but not in the funds.	(102,328)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	940,000
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	16,249
(Increase) decrease in accrued interest from beginning of period to end of period.	2,587
Change in inventory is an adjustment to fund balance in the funds but affects expense in the SOA.	3,174
Compensated absences are reported as amount earned in SOA but as amount paid in the funds.	<u>20,036</u>
Change in net assets of governmental activities	<u>\$ 100,903</u>

The accompanying notes are an integral part of this statement.

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

JUNE 30, 2011

	Private- Purpose Trust Funds	Agency Funds
Assets		
Cash and other deposits	\$ 12,648	\$ 1,099,593
Total Assets	<u>\$ 12,648</u>	<u>\$ 1,099,593</u>
Liabilities		
Accounts payable and accrued liabilities		\$ 1,089,172
Due to student clubs		10,421
Total Liabilities		<u>\$ 1,099,593</u>
Net Assets		
Reserved for endowments	\$ 12,648	
Total Net Assets	<u>\$ 12,648</u>	

The accompanying notes are an integral part of this statement.

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2011

	Private- Purpose Trust Funds
Additions	
Investment Income	\$ 289
Total Additions	<u>289</u>
Change in Net Assets	289
Net Assets	
July 1, 2010	<u>12,358</u>
Rounding difference	<u>1</u>
June 30, 2011	<u>\$ 12,648</u>

The accompanying notes are an integral part of this statement.

Clarksdale Municipal School District

Notes to the Financial Statements
June 30, 2011

Clarksdale Municipal School District

Notes to the Financial Statements
For the Year Ended June 30, 2011

Note 1 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

B. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered an "other stand-alone government." The school district is a related organization of, but not a component unit of, the city of Clarksdale 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, Clarksdale Municipal School District has included all funds and organizations. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

C. Government-wide and Fund Financial Statements

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by

Clarksdale Municipal School District

Notes to the Financial Statements For the Year Ended June 30, 2011

tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

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

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

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

Title I - A Basic Fund - This fund serves to support remedial math and reading services to low-income, program eligible students.

School Improvement Grant ARRA Fund - This fund uses grants received to help

Clarksdale Municipal School District

Notes to the Financial Statements
For the Year Ended June 30, 2011

with school improvements.

Building Project Funds - This fund accounts for funds used for school construction jobs.

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

The school district also reports fiduciary funds which focus on net assets and changes in net assets.

The District's fiduciary funds include two (2) agency funds and five (5) private purpose trust funds.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

FIDUCIARY FUNDS

Private-purpose Trust Funds - Private-purpose trust funds are used to report all trust arrangements, other than those properly recorded elsewhere

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

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

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement

Clarksdale Municipal School District

Notes to the Financial Statements For the Year Ended June 30, 2011

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

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

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

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

Ad valorem property taxes are levied by the governing authorities 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 the 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.

Clarksdale Municipal School District

Notes to the Financial Statements For the Year Ended June 30, 2011

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

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

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

E. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

The school district can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the types described in Sections 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.

Clarksdale Municipal School District

Notes to the Financial Statements For the Year Ended June 30, 2011

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Assets because their use is limited by applicable debt statutes. 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 fund.

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery,

Clarksdale Municipal School District

Notes to the Financial Statements For the Year Ended June 30, 2011

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

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

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

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.

7. Compensated Absences

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. Some employees are allowed personal and/or vacation leave in accordance with school district

Clarksdale Municipal School District

Notes to the Financial Statements For the Year Ended June 30, 2011

policy. The district pays for unused leave for employees as required to do so by Section 37-7-307(5), Miss. Code Ann. (1972).

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

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

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

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

9. Fund Balances

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

Governmental fund balance is classified as 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 receivable, or property held for resale unless the proceeds are restricted, committed, or assigned) and activity that is legally or contractually required to remain intact, 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

Clarksdale Municipal School District

Notes to the Financial Statements For the Year Ended June 30, 2011

specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is required to be taken by Board to establish the commitment. Currently there is no committed fund balance for this school district.

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

Note 2 - Cash and Cash Equivalents and Investments

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

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school districts' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State

Clarksdale Municipal School District

Notes to the Financial Statements For the Year Ended June 30, 2011

Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33 (d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit and interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interests in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Investment income of less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$6,265,613 and \$1,112,241, respectively. The carrying amount of deposits reported in government-wide statements was: cash and cash equivalents \$6,021,051 and restricted assets \$244,562. The bank balance was \$7,516,822.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2011, none of the district's bank balance of \$7,516,822 was exposed to custodial credit risk.

Investments

As of June 30, 2011, the district had the following investments.

Clarksdale Municipal School District

Notes to the Financial Statements
For the Year Ended June 30, 2011

Investment Type	Rating	Maturities (in years)	Fair Value
Hancock Horizon Treasury Securities Money Market Mutual Fund	AAAm	Less than a year	\$94,125

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 investments 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. The investment in the Hancock Horizon Treasury Securities Money Market Fund is uninsured and unregistered and is not backed by the full faith and credit of the federal government.

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 - Interfund Receivables, Payables, and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Title I Basic Fund	\$ 482,268
	School Improvement Grant ARRA	149,174
	Other Governmental Funds	366,752
Other Governmental Funds	Other Governmental Funds	<u>6,327</u>
Total		\$ <u><u>1,004,521</u></u>

Inter-fund loans were established primarily to cover federal funds not received prior to year end.

Clarksdale Municipal School District

Notes to the Financial Statements
For the Year Ended June 30, 2011

B. Inter-fund Transfers

Transfers In	Transfers Out	Amount
General Fund	Other Governmental Funds	\$ 235,470
Other Governmental Funds	General Fund	694,772
	Title - A Basic Fund	40,871
	School Improvement Grant ARRA	3,632
	Other Governmental Funds	351
Total		<u>\$ 975,096</u>

Transfers were made for indirect cost transfers and budgetary allocations. All transfers were routine and consistent with the fund making the transfer.

Note 4 - Restricted Assets

The restricted assets represent the investment balance, totaling \$94,125, of the MAEP Limited Obligation Bond Fund. In addition, the restricted assets represent the cash balance, totaling \$244,562, of the QSCB Sinking Fund.

Note 5 - Capital Assets

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

	Balance 7-1-2010	Additions	Retirements	Adjustments	Completed Construction	Balance 6-30-2011
<u>Non-depreciable capital assets:</u>						
Land	\$ 203,061					203,061
Construction in Progress	261,871	3,236,024			(1,628,051)	1,869,844
Total non-depreciable capital assets	<u>464,932</u>	<u>3,236,024</u>	<u>0</u>	<u>0</u>	<u>(1,628,051)</u>	<u>2,072,905</u>
<u>Depreciable capital assets:</u>						
Buildings	18,381,387			(50,000)		18,331,387
Building improvements	2,344,297				1,628,051	3,972,348
Mobile equipment	1,766,167	17,291	162,487			1,620,971
Furniture and equipment	1,123,986	80,617	160,659			1,043,944
Total depreciable capital assets	<u>23,615,837</u>	<u>97,908</u>	<u>323,146</u>	<u>(50,000)</u>	<u>1,628,051</u>	<u>24,968,650</u>
<u>Less accumulated depreciation for:</u>						
Buildings	9,982,163	167,838		(2,000)		10,148,001
Building improvements	545,161	158,894				704,055
Mobile equipment	1,019,723	87,592	87,566	(23,538)		996,211
Furniture and equipment	761,830	111,281	133,252	5,399		745,258
Total accumulated depreciation	<u>12,308,877</u>	<u>525,605</u>	<u>220,818</u>	<u>(20,139)</u>	<u>0</u>	<u>12,593,525</u>
Total depreciable capital assets, net	<u>11,306,960</u>	<u>(427,697)</u>	<u>102,328</u>	<u>(29,861)</u>	<u>1,628,051</u>	<u>12,375,125</u>
Governmental activities capital assets, net	<u>\$ 11,771,892</u>	<u>2,808,327</u>	<u>102,328</u>	<u>(29,861)</u>	<u>0</u>	<u>14,448,030</u>

Clarksdale Municipal School District

Notes to the Financial Statements For the Year Ended June 30, 2011

Adjustments were made to capital assets to correctly present accumulated depreciation and properly record a building cost.

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 367,923
Support services	105,121
Non-instructional	52,561
Total depreciation expense	<u>\$ 525,605</u>

Commitments under construction contracts at June 30, 2011, are summarized as follows:

	<u>Spent to June 30, 2011</u>	<u>Remaining Commitment</u>
Renovations and Additions to Higgins Middle School	\$ 1,869,844	201,000

Construction projects included in governmental activities are funded with proceeds received from the Qualified School Construction Bonds.

Note 6 - Long-Term Liabilities

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

	<u>Balance 7-1-2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6-30-2011</u>	<u>Amounts due within one year</u>
A. General obligation bonds payable	\$ 3,770,000		485,000	3,285,000	500,000
B. Limited obligation bonds payable	4,085,000		455,000	3,630,000	470,000
C. Qualified school construction bonds payable	3,000,000			3,000,000	
D. Other loans payable	16,249		16,249	0	
E. Compensated absences payable	344,558		20,036	324,522	
Total	\$ 11,215,807	0	976,285	10,239,522	970,000

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:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
General obligation refunding bonds, Series 2005	3.2 - 3.8%	05-1-05	11-01-16	\$ <u>5,275,000</u>	<u>3,285,000</u>

Clarksdale Municipal School District

Notes to the Financial Statements
For the Year Ended June 30, 2011

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

Year Ending June 30		Principal	Interest	Total
2012	\$	500,000	109,517	609,517
2013		515,000	92,384	607,384
2014		535,000	73,870	608,870
2015		555,000	54,250	609,250
2016		580,000	44,260	624,260
2017		600,000	22,800	622,800
Total	\$	<u>3,285,000</u>	<u>397,081</u>	<u>3,682,081</u>

This debt will be retired from the Bond Issue Retirement Fund.

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

B. Limited obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement refunding bonds, Series 2008	4.00%	10-10-07	03-01-18	\$ <u>4,970,000</u>	<u>3,630,000</u>

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

Year Ending June 30		Principal	Interest	Total
2012	\$	470,000	145,200	615,200
2013		490,000	126,400	616,400
2014		515,000	106,800	621,800
2015		530,000	86,200	616,200
2016		555,000	53,900	608,900
2017-2018		1,070,000	41,200	1,111,200
Total	\$	<u>3,630,000</u>	<u>559,700</u>	<u>4,189,700</u>

Clarksdale Municipal School District

Notes to the Financial Statements
For the Year Ended June 30, 2011

This debt will be retired from the MAEP Retirement Fund.

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

C. Qualified school construction bonds payable

As more fully explained in Note 8, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Qualified school construction bonds payable	1.00%	11-06-09	11-06-25	\$ <u>3,000,000</u>	<u>3,000,000</u>
Total				\$ <u>3,000,000</u>	<u>3,000,000</u>

D. Other loans payable

This debt was paid off and retired from the District Maintenance Fund.

E. Compensated absences payable

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

Note 7 - Other Commitments

Commitments under construction contracts are described in Note 5.

Note 8 - Qualified School Construction Bond

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.

The school district makes 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

Clarksdale Municipal School District

Notes to the Financial Statements For the Year Ended June 30, 2011

the U.S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2011 was \$244,562. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30		Principal	Interest	Total
2012	\$	244,546	28,500	273,046
2013		244,546	28,500	273,046
2014		244,546	28,500	273,046
2015		244,546	28,500	273,046
2016		244,546	28,500	273,046
2017 - 2021		790,500	142,500	933,000
2022 - 2026		742,500	142,500	885,000
Total	\$	<u>2,755,730</u>	<u>427,500</u>	<u>3,183,230</u>

Note 9 - Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2011 was 12.00% of the annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2011, 2010 and 2009 were \$1,914,781, \$1,961,824 and \$1,863,243, respectively, which equaled the required contributions for each year.

Clarksdale Municipal School District

Notes to the Financial Statements
For the Year Ended June 30, 2011

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.

Note 11 - Risk Management

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

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 72 school districts and covers risks of loss arising from injuries to the school district's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess up to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies.

The district has not had an additional assessment for excess losses incurred by the pool.

Note 13 - Insurance Loss Recoveries

The Clarksdale Municipal School District received \$27,441 in insurance loss recoveries related primarily to roof damage to the Vocational Building during the 2010-2011 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and allocated among the expense functions based on the following percentages:

Clarksdale Municipal School District

Notes to the Financial Statements
For the Year Ended June 30, 2011

<u>Insurance Loss Recoveries</u>	<u>Percentage</u>	<u>Expense Function</u>
\$ <u>27,441</u>	<u>100%</u>	Instruction

Note 14 - Subsequent Events

Events that occur after the statement of net assets 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 assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net assets date require disclosure in the accompanying notes. Management of the Clarksdale Municipal School District evaluated the activity of the district through the date the report was available to be issued and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements:

The school district has accepted a bid with D Carroll Construction for Phase II renovations to the Athletic Complex expected to cost \$818,200.

Note 15 - Prior Period Adjustments

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation(s)</u>	<u>Amount</u>
1 To correctly present accumulated depreciation.	\$ 20,139
2 To correctly present buildings.	(50,000)
Total	<u>\$ (29,861)</u>

REQUIRED SUPPLEMENTAL INFORMATION

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

Exhibit 1

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 3,606,959	3,595,381	3,595,380	(11,578)	(1)
Intermediate sources		223	223	223	(0)
State sources	14,381,136	14,665,716	14,665,716	284,580	0
Federal sources	254,000	225,551	225,551	(28,449)	0
Total Revenues	<u>18,242,095</u>	<u>18,486,871</u>	<u>18,486,870</u>	<u>244,776</u>	<u>(1)</u>
Expenditures:					
Instruction	11,175,452	10,743,865	10,605,785	431,587	138,080
Support services	8,238,601	7,783,820	7,783,824	454,781	(4)
Noninstructional services	6,600	4,060	4,060	2,540	0
Facilities acquisition and construction	9,839			9,839	0
Debt service:					
Principal		16,248	16,249	(16,248)	(1)
Total Expenditures	<u>19,430,492</u>	<u>18,547,993</u>	<u>18,409,918</u>	<u>882,499</u>	<u>138,075</u>
Excess (Deficiency) of Revenues over Over Expenditures	<u>(1,188,397)</u>	<u>(61,122)</u>	<u>76,952</u>	<u>1,127,275</u>	<u>138,074</u>
Other Financing Sources (Uses):					
Insurance Loss Recoveries	6,000	27,441	27,441	21,441	0
Transfers In	751,696	2,647,025	235,470	1,895,329	(2,411,555)
Other financing sources			10,183	0	10,183
Transfers Out	(910,711)	(3,106,328)	(694,772)	(2,195,617)	2,411,556
Other financing uses			(63,464)	0	(63,464)
Total Other Financing Sources (Uses)	<u>(153,015)</u>	<u>(431,862)</u>	<u>(485,142)</u>	<u>(278,847)</u>	<u>(53,280)</u>
Net Change in Fund Balances	<u>(1,341,412)</u>	<u>(492,984)</u>	<u>(408,190)</u>	<u>848,428</u>	<u>84,794</u>
Fund Balances:					
July 1, 2010	4,863,813	5,325,978	5,187,902	462,165	(138,076)
Residual equity transfer In(Out)		(53,281)		(53,281)	53,281
June 30, 2011	<u>\$ 3,522,401</u>	<u>4,779,713</u>	<u>4,779,712</u>	<u>1,257,312</u>	<u>(1)</u>

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

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

Exhibit 2

Budgetary Comparison Schedule
 Title I - A Basic Fund
 For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 3,463,616	3,587,714	3,587,714	124,098	0
Total Revenues	<u>3,463,616</u>	<u>3,587,714</u>	<u>3,587,714</u>	<u>124,098</u>	<u>0</u>
Expenditures:					
Instruction	2,073,720	1,431,380	1,431,381	642,340	(1)
Support services	1,112,181	1,920,359	1,920,358	(808,178)	1
Noninstructional services	207,053	199,969	199,969	7,084	0
Total Expenditures	<u>3,392,954</u>	<u>3,551,708</u>	<u>3,551,708</u>	<u>(158,754)</u>	<u>0</u>
Excess (Deficiency) of Revenues over Over Expenditures	<u>70,662</u>	<u>36,006</u>	<u>36,006</u>	<u>(34,656)</u>	<u>0</u>
Other Financing Sources (Uses):					
Other financing sources			4,865	0	4,865
Transfers out	(78,051)	(40,871)	(40,871)	37,180	0
Total Other Financing Sources (Uses)	<u>(78,051)</u>	<u>(40,871)</u>	<u>(36,006)</u>	<u>37,180</u>	<u>4,865</u>
Net Change in Fund Balances	<u>(7,389)</u>	<u>(4,865)</u>	<u>0</u>	<u>2,524</u>	<u>4,865</u>
Fund Balances:					
July 1, 2010	0	0	0	0	0
Residual equity transfer In(Out)	4,865			(4,865)	0
June 30, 2011	<u>\$ (2,524)</u>	<u>(4,865)</u>	<u>0</u>	<u>(2,341)</u>	<u>4,865</u>

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

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

Exhibit 3

Budgetary Comparison Schedule
 School Improvement Grant ARRA Fund
 For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 1,250,000	960,059	960,060	(289,941)	1
Total Revenues	<u>1,250,000</u>	<u>960,059</u>	<u>960,060</u>	<u>(289,941)</u>	<u>1</u>
Expenditures:					
Instruction	1,133,044	132,647	132,647	1,000,397	0
Support services	73,820	816,588	816,588	(742,768)	0
Noninstructional services		8,193	8,193	(8,193)	0
Total Expenditures	<u>1,206,864</u>	<u>957,428</u>	<u>957,428</u>	<u>249,436</u>	<u>0</u>
Excess (Deficiency) of Revenues over Over Expenditures	<u>43,136</u>	<u>2,631</u>	<u>2,632</u>	<u>(40,505)</u>	<u>1</u>
Other Financing Sources (Uses):					
Other financing sources			1,000	0	(1,000)
Transfers out	(43,542)	(3,632)	(3,632)	39,910	0
Total Other Financing Sources (Uses)	<u>(43,542)</u>	<u>(3,632)</u>	<u>(2,632)</u>	<u>39,910</u>	<u>(1,000)</u>
Net Change in Fund Balances	<u>(406)</u>	<u>(1,001)</u>	<u>0</u>	<u>(595)</u>	<u>1,001</u>
Fund Balances:					
July 1, 2010	0	0	0	0	0
Residual equity transfer In(Out)	1,000	1,000		0	(1,000)
June 30, 2011	<u>\$ 594</u>	<u>(1)</u>	<u>0</u>	<u>(595)</u>	<u>1</u>

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

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION

Clarksdale Municipal School District

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

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

SUPPLEMENTAL INFORMATION

Clarksdale Municipal School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2011

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	\$ 527,718
National School Lunch Program	10.555	1,532,917
Summer Food Service Program for Children	10.559	84,545
Total child nutrition cluster		<u>2,145,180</u>
ARRA - Child Nutrition Discretionary Grants - Recovery Act	10.579	37,966
Fresh Fruits and Vegetables Program	10.582	130,726
Subtotal		<u>168,692</u>
Total passed-through Mississippi Department of Education		<u>2,313,872</u>
Total U. S. Department of Agriculture		<u>2,313,872</u>
<u>U.S. Department of Defense</u>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	30,625
Total U.S. Department of Defense		<u>30,625</u>
<u>Federal Communications Commission</u>		
Administered through Universal Service Administrative Company:		
The Schools and Libraries Program of the Universal Service Fund	32.xxx	131,801
Total Federal Communications Commission		<u>131,801</u>
<u>U. S. Department of Education</u>		
Passed-through the Mississippi Department of Education:		
Title I Cluster:		
Title I Grants to Local Educational Agencies	84.010	3,655,772
ARRA - Title I Grants to Local Educational Agencies - Recovery Act	84.389	261,882
Total Title I Cluster		<u>3,917,654</u>
Education Technology Cluster:		
Education Technology State Grants	84.318	49,499
ARRA - Enhancing Education Through Technology Grant - Recovery Act	84.386	251,553
Total Education Technology Cluster		<u>301,052</u>
Career and Technical Education - Basic Grants to States	84.048	61,993
Safe and Drug Free Schools and Communities - State Grants	84.186	5,645
Rural Education	84.358	79,667
Improving Teacher Quality - State Grants	84.367	371,485
ARRA - School Improvement Grants - Recovery Act	84.388	960,059
ARRA - State Fiscal Stabilization Fund - Education State Grants - Recovery Act	84.394	1,085,076
Education Jobs Fund	84.410	4,811
Subtotal		<u>2,568,736</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	708,084
Special Education - Preschool Grants	84.173	29,799
ARRA - Special Education Grants to States - Recovery Act	84.391	380,552
Total special education cluster		<u>1,118,435</u>
Total passed-through the Mississippi Department of Education		<u>7,905,877</u>
Total U. S. Department of Education		<u>7,905,877</u>
TOTAL FOR ALL FEDERAL AWARDS		\$ <u>10,382,175</u>

NOTES TO SCHEDULE

1. This schedule was prepared using the same basis of accounting and 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.

Clarksdale Municipal School District

Schedule 2

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

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 32,127,401	9,564,105	553,269	1,439,736	20,570,291
Other	2,649,440	627,047	191,604	38,692	1,792,097
Total	\$ 34,776,841	10,191,152	744,873	1,478,428	22,362,388
Total number of students *	3,412				
Cost per student	\$ 10,192	2,987	218	433	6,554

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; Support Services - Business.

School Administration - includes expenditures for the following functions: 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

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

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

"UNAUDITED"

	2011	2010*	2009*	2008*
Revenues:				
Local sources	\$ 3,595,380	3,629,761	3,791,043	3,744,570
Intermediate sources	223			
State sources	14,665,716	14,726,089	16,302,764	16,327,474
Federal sources	225,551	356,780	196,685	100,906
Total Revenues	<u>18,486,870</u>	<u>18,712,630</u>	<u>20,290,492</u>	<u>20,172,950</u>
Expenditures:				
Instruction	10,605,785	10,984,149	12,259,875	11,480,483
Support services	7,783,824	7,712,093	7,703,526	7,169,255
Noninstructional services	4,060	10,233	310	1,836
Facilities acquisition and construction		6,838	50,000	3,334
Debt service:				
Principal	16,249			
Total Expenditures	<u>18,409,918</u>	<u>18,713,313</u>	<u>20,013,711</u>	<u>18,654,908</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>76,952</u>	<u>(683)</u>	<u>276,781</u>	<u>1,518,042</u>
Other Financing Sources (Uses):				
Proceeds of loans			10,724	96,905
Insurance loss recoveries	27,441	6,073		
Sale of other property		767		4
Operating transfers in	235,470	293,987	83,494	122,816
Other financing sources	10,183			
Operating transfers out	(694,772)	(456,666)	(1,344,259)	(539,665)
Other financing uses	(63,464)			
Total Other Financing Sources (Uses)	<u>(485,142)</u>	<u>(155,839)</u>	<u>(1,250,041)</u>	<u>(319,940)</u>
Net Change in Fund Balances	<u>(408,190)</u>	<u>(156,522)</u>	<u>(973,260)</u>	<u>1,198,102</u>
Fund Balances:				
July 1,	5,187,902	5,344,424	6,317,684	5,119,582
June 30,	\$ <u>4,779,712</u>	<u>5,187,902</u>	<u>5,344,424</u>	<u>6,317,684</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
 All Governmental Funds
 Last Four Years

"UNAUDITED"

	2011	2010*	2009*	2008*
Revenues:				
Local sources	\$ 4,550,633	4,413,152	4,745,974	4,779,843
Intermediate sources	223			
State sources	15,751,194	16,026,134	17,748,813	17,768,385
Federal sources	10,554,371	10,313,130	7,099,871	6,417,335
Sixteenth section sources	85,159		37,343	36,207
Total Revenues	<u>30,941,580</u>	<u>30,752,416</u>	<u>29,632,001</u>	<u>29,001,770</u>
Expenditures:				
Instruction	15,071,189	17,219,404	15,944,025	15,188,077
Support services	12,253,272	10,372,486	10,090,311	9,549,011
Noninstructional services	2,546,166	2,379,644	2,257,679	1,861,776
Facilities acquisition and construction	3,236,023	268,709	50,000	3,334
Debt service:				
Principal	956,249	933,694	989,875	502,971
Interest	708,546	322,790	355,582	452,666
Other	5,396	2,579	3,458	
Total Expenditures	<u>34,776,841</u>	<u>31,499,306</u>	<u>29,690,930</u>	<u>27,557,835</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(3,835,261)</u>	<u>(746,890)</u>	<u>(58,929)</u>	<u>1,443,935</u>
Other Financing Sources (Uses):				
Proceeds of limited obligation bonds				4,970,000
Proceeds of loans		2,947,410	10,724	96,905
Insurance loss recoveries	27,441	6,073		
Sale of other property		767		4
Operating transfers in	975,096	750,653	1,427,753	682,750
Other financing sources	286,205			
Operating transfers out	(975,096)	(750,653)	(1,427,753)	(682,750)
Other financing uses	(65,527)			
Payment to refunded bond escrow agent				(4,949,095)
Total Other Financing Sources (Uses)	<u>248,119</u>	<u>2,954,250</u>	<u>10,724</u>	<u>117,814</u>
Net Change in Fund Balances	<u>(3,587,142)</u>	<u>2,207,360</u>	<u>(48,205)</u>	<u>1,561,749</u>
Fund Balances:				
July 1,	11,136,736	8,932,454	8,975,245	7,400,474
Increase (decrease) in reserve for inventory	3,174	(3,078)	5,414	13,022
June 30,	<u>\$ 7,552,768</u>	<u>11,136,736</u>	<u>8,932,454</u>	<u>8,975,245</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 THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Superintendent and School Board
Clarksdale Municipal School District

We have audited the financial statements of Clarksdale Municipal School District as of and for the year ended June 30, 2011, and have issued our report thereon dated November 10, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness. [**Finding 2011-1**]

Compliance and Other Matters

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

Clarksdale Municipal School District's response to the finding identified in our audit is described in the accompanying Auditee's Corrective Action Plan. We did not audit Clarksdale Municipal School District's response and, accordingly, we express no opinion on it.

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
November 10, 2011

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

Superintendent and School Board
Clarksdale Municipal School District

Compliance

We have audited Clarksdale Municipal School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Clarksdale Municipal School District's major federal programs for the year ended June 30, 2011. Clarksdale Municipal 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. Compliance with the requirements of laws, regulations, contract and grants applicable to each of its major federal programs is the responsibility of the Clarksdale Municipal School District's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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

In our opinion, the Clarksdale Municipal School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item. [*Finding 2011-2*].

Internal Control Over Compliance

Management of Clarksdale Municipal School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations,

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contracts and grants applicable to federal programs. In planning and performing our audit, we considered Clarksdale Municipal School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as items [**Finding 2011-2**]. 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.

Clarksdale Municipal School District's response to the finding identified in our audit is described in the accompanying Auditee's Corrective Action Plan. We did not audit Clarksdale Municipal School District's response and, accordingly, we express no opinion on it.

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
November 10, 2011

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
Clarksdale Municipal School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clarksdale Municipal School District as of and for the year ended June 30, 2011, which collectively comprise Clarksdale Municipal School District's basic financial statements and have issued our report thereon dated November 10, 2011. 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 \$41,084 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.

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
November 10, 2011

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Clarksdale Municipal School District

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

Section I: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued: Unqualified.
2. Internal control over financial reporting:
 - a. Material weakness(es) identified? Yes.
 - 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? Yes.
5. Type of auditor's report issued on compliance for major programs: Unqualified.
6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? Yes.
7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program of Cluster</u>
10.553, 10.555, 10.559	Child Nutrition Cluster
84.010, 84.389	Title I Cluster
84.027, 84.173, 84.391	SPED Cluster
84.388	ARRA - School Improvement Grant Fund, Recovery Act
84.367	Title II Improving Teacher Quality Fund
84.394	ARRA - State Fiscal Stabilization Fund, Recovery Act

8. Dollar threshold used to distinguish between type A and type B programs: \$311,465.
9. Auditee qualified as low-risk auditee? No.

Section II: Financial Statements Findings

The results of our tests disclosed the following finding related to the financial statements that are required to be reported by *Government Auditing Standards*.

Material Weakness

Finding 2011-1:

During the course of our audit, we noticed an instance where improper recording of cash took place. One sinking fund related to Qualified School Construction Bonds was not posted.

Recommendation:

All cash accounts should properly be reflected on the general ledger.

Section III: Federal Award Findings and Questioned Costs

The results of our tests disclosed the following finding and questioned cost related to the federal awards.

Significant Deficiency

Finding 2011-2:

Child Nutrition Cluster: CFDA# 10.553, 10.555 and 10.559

Compliance requirement: Cash Management

During the course of our audit, the auditor found that there were funds received late due to untimely requests of reimbursement. Cash management requests must be submitted within 10 days of the following month.

Recommendation:

The school district should implement policies and procedures to ensure cash management requests are submitted within 10 days of the following month so funds are received on time.

**AUDITEE'S CORRECTIVE ACTION PLAN AND
SUMMARY OF PRIOR AUDIT FINDINGS**

Clarksdale Municipal School District
PO Box 1088
Clarksdale, MS 38614
Mr. Dennis Dupree - Superintendent
Kamilah Jones - Business Manager

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section ____.315(c) of OMB Circular A-133, the Clarksdale Municipal School District has prepared and hereby submits the following corrective action plan for the finding included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2011:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2011- 1	<p>a. Name of Contact Person Responsible for Corrective Action:</p> <p>Name: Kamilah Jones Title: Business Manager Phone number: 662-627-8500, ext. 1005</p> <p>b. Corrective Action Planned:</p> <p>The school district will implement policies to make sure the cash accounts are properly be reflected on the general ledger.</p> <p>c. Anticipated Completion Date:</p> <p>June 30, 2012</p>
2011- 2	<p>a. Name of Contact Person Responsible for Corrective Action:</p> <p>Name: Kamilah Jones Title: Business Manager Phone number: 662-627-8500, ext. 1005</p> <p>b. Corrective Action Planned:</p> <p>The school district will implement policies and procedures to ensure cash management requests are submitted within 10 days of the following month so funds are received on time.</p> <p>c. Anticipated Completion Date:</p> <p>June 30, 2012</p>

Clarksdale Municipal School District
PO Box 1088
Clarksdale, MS 38614
Mr. Dennis Dupree - Superintendent
Kamilah Jones - Business Manager

AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

As required by Section ____315(b) of OMB Circular A-133, the Clarksdale Municipal School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2011:

<u>Finding</u>	<u>Status</u>
2010 - 2	Corrected