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Clinton Public School District

Audited Financial Statements
June 30, 2011

Fortenberry & Ballard, PC
Certified Public Accountants

Clinton Public School District
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FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Clinton Public School District

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2012, on our consideration of the Clinton Public School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

1929 SPILLWAY ROAD, SUITE B
BRANDON, MISSISSIPPI 39047
TELEPHONE 601-992-5292 FAX 601-992-2033

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Clinton Public 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 Clinton Public 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
January 10, 2012

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The following discussion and analysis of Clinton Public School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 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 \$4,379,913, which represents a 16% increase from fiscal year 2010. Total net assets for 2010 increased \$1,026,151, which represents a 4% increase from fiscal year 2009.
- General revenues amounted to \$30,502,560 and \$32,355,833, or 81% and 85% 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 \$7,327,351, or 19% of total revenues for 2011, and \$5,829,512, or 15% of total revenues for 2010.
- Additional revenues of \$3,109,717 were generated in 2011 and are reported as a special item on the statement of activities. This revenue was the net gain generated from the sale of surplus land and buildings. Part of the proceeds was used to pay off the 2002 bonds that would not mature until April 1, 2014, saving \$223,444 in future interest.
- The District had \$36,559,715 and \$37,159,194 in expenses for fiscal years 2011 and 2010; only \$7,327,351 for 2011 and \$5,829,512 for 2010 of these expenses were offset by program specific charges for services and grants and contributions. General revenues of \$30,502,560 for 2011 and \$32,355,833 for 2010 were adequate to provide for these programs.
- Among the major funds, the General Fund had \$27,768,421 in revenues and \$23,720,905 in expenditures for 2011, and \$29,400,208 in revenues and \$27,470,503 in expenditures for 2010. The General Fund's fund balance increased by \$3,532,446 from 2010 to 2011, and decreased by \$506,608 from 2009 to 2010.
- Capital assets, net of accumulated depreciation, increased by \$769,817 for 2011 and increased by \$506,447 for 2010. The increase for 2011 was due to the net effect of a \$2,745,017 addition of assets less the disposal of \$403,795 of net assets less the increase in accumulated depreciation of \$1,571,405. The increase for 2010 was due to the net effect of a \$1,946,407 addition of assets less the disposal of \$463 of net assets less the increase in accumulated depreciation of \$1,439,497.
- Long-term debt increased by \$15,585,000 for 2011 and decreased by \$1,665,000 for 2010. The increase for 2011 was due to the issuance of \$20,000,000 in bonds and notes less principal payments of \$4,415,000 on outstanding long-term debt. The decrease for 2010 was due to the principal payments on outstanding long-term debt. In addition, the liability for compensated absences decreased by \$6,208 for 2011 and decreased by \$1,786 for 2010.

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

balances of spendable resources available at year end. The governmental fund statements provide a detailed view of the District's near term financing requirements.

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

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

Supplemental Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets

Net assets may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$31,247,625 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.

Clinton Public 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	\$ 29,492,730	9,761,468	202%
Other assets	43,707	58,276	(25)%
Restricted assets	99,684	99,684	0%
Capital assets, net	<u>39,547,543</u>	<u>38,777,726</u>	2%
Total assets	<u>69,183,664</u>	<u>48,697,154</u>	42%
Current liabilities	1,201,058	673,253	78%
Long-term debt outstanding	<u>36,734,981</u>	<u>21,156,189</u>	74%
Total liabilities	<u>37,936,039</u>	<u>21,829,442</u>	74%
Net assets:			
Invested in capital assets, net of related debt	16,701,591	17,897,726	(7)%
Restricted	5,961,431	3,915,645	52%
Unrestricted	<u>8,584,603</u>	<u>5,054,341</u>	70%
Total net assets	<u>\$ 31,247,625</u>	<u>26,867,712</u>	16%

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 \$769,817.
- The principal retirement of \$4,415,000 of long-term debt.
- Issuance of general obligation bonds and three mill notes totaling \$20,000,000.
- The deferred charge of \$43,707 is the balance of the capitalization of \$174,827 of bond issuance costs of the 2005 issue to be amortized over the term of the bonds. Current year amortization is \$14,569.

Changes in net assets

The District's total revenues for the fiscal years ended June 30, 2011 and June 30, 2010 were \$37,829,911 and \$38,185,345, respectively. The total cost of all programs and services was \$36,559,715 for 2011 and \$37,159,194 for 2010. Special items - gain on sale of property was \$3,109,717 for 2011. Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2011 and June 30, 2010.

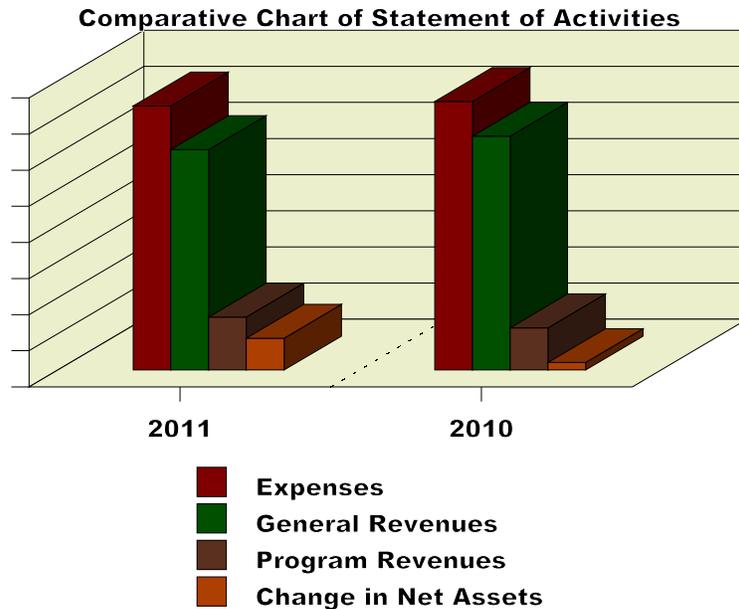
Clinton Public School District
Management's Discussion and Analysis
For the Year Ended June 30, 2011

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

Table 2
Changes in Net Assets

	<u>Year Ended June 30, 2011</u>	<u>Year Ended June 30, 2010</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 1,339,548	1,428,976	(6)%
Operating grants and contributions	5,987,803	4,400,536	36%
Total program revenues	<u>7,327,351</u>	<u>5,829,512</u>	26%
General revenues:			
Property taxes	11,344,810	11,499,049	(1)%
Grants and contributions not restricted	18,339,626	19,585,548	(6)%
Unrestricted investment earnings	212,480	322,253	(34)%
Sixteenth section sources	242,713	614,524	(61)%
Other	362,931	334,459	9%
Total general revenues	<u>30,502,560</u>	<u>32,355,833</u>	(6)%
Total revenues	<u>37,829,911</u>	<u>38,185,345</u>	(1)%
Expenses:			
Instruction	20,699,905	22,199,648	(7)%
Support services	13,021,684	12,243,235	6%
Non-instructional	1,750,451	1,729,473	1%
Sixteenth section	90,567	60,866	49%
Interest on long-term liabilities	997,108	925,972	8%
Total expenses	<u>36,559,715</u>	<u>37,159,194</u>	(2)%
Special Item:			
Gain on sale of property	<u>3,109,717</u>	<u> </u>	
Increase (Decrease) in net assets	<u>4,379,913</u>	<u>1,026,151</u>	327%
Net Assets, July 1	<u>26,867,712</u>	<u>25,841,561</u>	4%
Net Assets, June 30	<u>\$ 31,247,625</u>	<u>26,867,712</u>	16%

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



Governmental activities

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

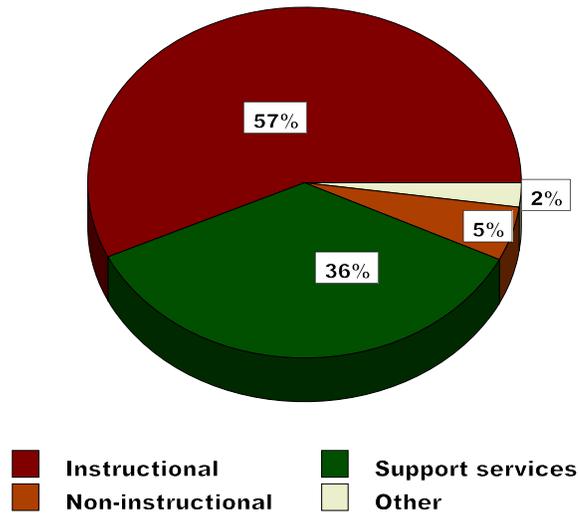
	<u>Total Expenses</u>		Percentage Change
	2011	2010	
Instruction	\$ 20,699,905	22,199,648	(7)%
Support services	13,021,684	12,243,235	6%
Non-instructional	1,750,451	1,729,473	1%
Sixteenth section	90,567	60,866	49%
Interest on long-term liabilities	997,108	925,972	8%
Total expenses	<u>\$ 36,559,715</u>	<u>37,159,194</u>	<u>(2)%</u>

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

Net (Expense) Revenue

	2011	2010	Percentage Change
Instruction	\$ (15,802,926)	(18,801,056)	(16)%
Support services	(12,471,997)	(11,671,420)	7%
Non-instructional	130,234	129,632	0%
Sixteenth section	(90,567)	(60,866)	49%
Interest on long-term liabilities	(997,108)	(925,972)	8%
Total net (expense) revenue	\$ (29,232,364)	(31,329,682)	(7)%

Chart of Expenses as per Statement of Activities



- Net cost of governmental activities (\$29,232,364 for 2011 and \$31,329,682 for 2010) was financed by general revenue, which is primarily made up of property taxes (\$11,344,810 for 2011 and \$11,499,049 for 2010) and state and federal revenues (\$18,339,626 for 2011 and \$19,585,548 for 2010). In addition, there was \$242,713 and \$614,524 in Sixteenth Section sources for 2011 and 2010, respectively.
- Investment earnings amounted to \$212,480 for 2011 and \$322,253 for 2010.

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

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$28,601,918, an increase of \$19,204,760, which includes an increase in inventory of \$17,380. \$5,949,467, or 21% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$178,998 or 1% is nonspendable, \$19,612,043 or 68% is restricted and \$2,861,410 or 10% is assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$3,532,446. The fund balance of Other Governmental Funds showed an increase in the amount of \$167,559, which includes an increase in reserve for inventory of \$17,380 due primarily to reflect inventory to actual. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
ARRA - Federal Jobs Fund	no increase or decrease
Building Projects 2010 Fund	\$ 12,880,396
Building Projects QSCB Fund	\$ 2,624,359

BUDGETARY HIGHLIGHTS

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

Clinton Public 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 \$55,607,903, including land, construction in progress, school buildings, building improvements other than buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$1,501,016 from 2010. Total accumulated depreciation as of June 30, 2011, was \$16,060,360, and total depreciation expense for the year was \$1,571,405, resulting in total net capital assets of \$39,547,543.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Land	\$ 331,098	438,742	(25)%
Construction in progress	2,210,088	1,907,148	16%
Buildings	25,401,442	26,385,972	(4)%
Building improvements	252,727	265,158	(5)%
Improvements other than buildings	9,673,601	8,020,133	21%
Mobile equipment	1,270,545	1,390,885	(9)%
Furniture and equipment	408,042	369,688	10%
Total	<u>\$ 39,547,543</u>	<u>38,777,726</u>	<u>2%</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 \$36,734,981 in outstanding long-term debt, of which \$1,721,841 is due within one year. The liability for compensated absences at June 30, 2011 was \$269,981, a decrease of \$6,208 from the prior year. \$14,000,000 of general obligation bonds and \$6,000,000 in notes were issued in 2011. \$3,015,000 of general obligation bonds were retired early on October 1, 2010 with proceeds from the sale of surplus land and buildings. The District maintains an AA3 bond rating.

Clinton Public 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	\$ 28,030,000	18,190,000	54%
Three mill notes payable	8,435,000	2,690,000	214%
Compensated absences payable	269,981	276,189	(2)%
Total	<u>\$ 36,734,981</u>	<u>21,156,189</u>	<u>74%</u>

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

CURRENT ISSUES

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

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

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

FINANCIAL STATEMENTS

Clinton Public School District

Exhibit A

Statement of Net Assets

June 30, 2011

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 25,348,127
Investments	2,300,258
Due from other governments	1,724,718
Other receivables, net	40,313
Inventories	64,782
Prepaid items	14,532
Restricted assets	99,684
Deferred charges	43,707
Capital assets, non-depreciable:	
Land	331,098
Construction in progress	2,210,088
Capital assets, net of accumulated depreciation:	
Buildings	25,401,442
Building improvements	252,727
Improvements other than buildings	9,673,601
Mobile equipment	1,270,545
Furniture and equipment	408,042
Total Assets	<u>69,183,664</u>
Liabilities	
Accounts payable and accrued liabilities	980,650
Unearned revenue	9,846
Interest payable on long-term liabilities	210,562
Long-term liabilities, due within one year	
Capital related liabilities	1,705,000
Non-capital related liabilities	16,841
Long-term liabilities, due beyond one year	
Capital related liabilities	34,760,000
Non-capital related liabilities	253,140
Total Liabilities	<u>37,936,039</u>
Net Assets	
Invested in capital assets, net of related debt	16,701,591
Restricted net assets:	
Expendable:	
School-based activities	2,488,215
Debt service	593,278
Capital improvements	2,703,488
Forestry improvements	449
Unemployment benefits	76,317
Non-expendable:	
Sixteenth section	99,684
Unrestricted	<u>8,584,603</u>
Total Net Assets	<u>\$ 31,247,625</u>

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

Clinton Public School District

Exhibit B

Statement of Activities

For the Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
Governmental Activities:				
Instruction	\$ 20,699,905	644,042	4,252,937	(15,802,926)
Support services	13,021,684		549,687	(12,471,997)
Non-instructional	1,750,451	695,506	1,185,179	130,234
Sixteenth section	90,567			(90,567)
Interest on long-term liabilities	997,108			(997,108)
Total Governmental Activities	\$ 36,559,715	1,339,548	5,987,803	(29,232,364)
General Revenues:				
Taxes:				
				9,551,580
				1,793,230
Unrestricted grants and contributions:				
				17,161,218
				1,178,408
				212,480
				242,713
				362,931
				<u>30,502,560</u>
				3,109,717
				<u>33,612,277</u>
				4,379,913
				<u>26,867,712</u>
				<u>\$ 31,247,625</u>

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

Clinton Public School District

Exhibit C

Balance Sheet - Governmental Funds

June 30, 2011

	Major Funds					Total Governmental Funds
	General Fund	ARRA- Federal Jobs Fund	Building Project 2010 Fund	Building Projects QSCB Fund	Other Governmental Funds	
Assets						
Cash and cash equivalents	\$ 7,186,715		13,453,312	3,028,945	1,778,839	25,447,811
Investments	77,552		472,370		1,750,336	2,300,258
Due from other governments	415,375	854,238			455,105	1,724,718
Other receivables, net	20,710					20,710
Due from other funds	1,260,893					1,260,893
Inventories					64,782	64,782
Prepaid items	14,532					14,532
Total Assets	\$ 8,975,777	854,238	13,925,682	3,028,945	4,049,062	30,833,704
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 150,368		306,634	404,586	119,062	980,650
Due to other funds		854,238			387,052	1,241,290
Unearned revenue					9,846	9,846
Total Liabilities	150,368	854,238	306,634	404,586	515,960	2,231,786
Fund Balances:						
Nonspendable:						
Inventory					64,782	64,782
Permanent fund principal					99,684	99,684
Prepaid items	14,532					14,532
Restricted:						
Unemployment benefits					76,317	76,317
Forestry improvements					449	449
Capital projects			13,619,048	2,624,359	79,129	16,322,536
Debt service					803,840	803,840
Sixteenth section					1,918,518	1,918,518
Food service					481,374	481,374
Grant activities					9,009	9,009
Assigned:						
Funding activity	2,000,000					2,000,000
Special activity	398,903					398,903
General activity	462,507					462,507
Unassigned	5,949,467					5,949,467
Total Fund Balances	8,825,409	0	13,619,048	2,624,359	3,533,102	28,601,918
Total Liabilities and Fund Balances	\$ 8,975,777	854,238	13,925,682	3,028,945	4,049,062	30,833,704

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

Clinton Public School District

Exhibit C-1

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

	<u>Amount</u>
Total fund balance for governmental funds	\$ 28,601,918
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$16,060,360.	39,547,543
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(36,734,981)
3. Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Assets recognizes interest as it accrues.	(210,562)
4. Governmental funds recognize bond issuance costs on long-term debt when paid, however the Statement of Net Assets recognizes and accrues bond issuance costs over the life of the bonds.	43,707
	<hr/>
Net assets of governmental activities	\$ <u><u>31,247,625</u></u>

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

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2011

	Major Funds					Total Governmental Funds
	General Fund	ARRA- Federal Jobs Fund	Building Projects 2010 Fund	Building Projects QSCB Fund	Other Governmental Funds	
Revenues:						
Local sources	\$ 10,631,627		91,101	29,463	2,507,578	13,259,769
State sources	17,093,982				1,000,000	18,093,982
Federal sources	42,812	854,238			5,336,397	6,233,447
Sixteenth section sources					242,713	242,713
Total Revenues	27,768,421	854,238	91,101	29,463	9,086,688	37,829,911
Expenditures:						
Instruction	14,173,892	854,238			4,650,723	19,678,853
Support services	9,530,515			2,482,229	811,271	12,824,015
Noninstructional services	16,498				1,732,832	1,749,330
Sixteenth section					90,567	90,567
Facilities acquisition and construction			1,210,705	922,875	271,630	2,405,210
Debt service:						
Principal					4,415,000	4,415,000
Interest					978,636	978,636
Other					2,600	2,600
Total Expenditures	23,720,905	854,238	1,210,705	3,405,104	12,953,259	42,144,211
Excess (Deficiency) of Revenues over Expenditures	4,047,516	0	(1,119,604)	(3,375,641)	(3,866,571)	(4,314,300)
Other Financing Sources (Uses):						
Proceeds of bonds			14,000,000			14,000,000
Proceeds of loans				6,000,000		6,000,000
Insurance loss recoveries	680					680
Sale of property	3,501,000					3,501,000
Operating transfers in	96,521				4,113,271	4,209,792
Operating transfers out	(4,113,271)				(96,521)	(4,209,792)
Total Other Financing Sources (Uses)	(515,070)	0	14,000,000	6,000,000	4,016,750	23,501,680
Net Change in Fund Balances	3,532,446	0	12,880,396	2,624,359	150,179	19,187,380
Fund Balances:						
July 1, 2010	5,292,963	0	738,652	0	3,365,543	9,397,158
Increase in reserve for inventory					17,380	17,380
June 30, 2011	\$ 8,825,409	0	13,619,048	2,624,359	3,533,102	28,601,918

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

Clinton Public School DistrictExhibit D-1

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

	<u>Amount</u>
Net change in fund balances - total governmental funds	\$ 19,187,380
Amounts reported for governmental activities in the Statement of Activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$2,745,017 and the depreciation expense amounted to \$1,571,405.	1,173,612
2. Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	(14,569)
3. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Activities.	4,415,000
4. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.	(1,303)
5. Gain(loss) on the disposals of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds.	(403,795)
6. Increase in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are increased in the Statement of Activities.	17,380
7. The issuance of long-term debt provides current financial resources to governmental funds, but the issuance increases long-term liabilities in the statement of net assets.	(20,000,000)
8. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:	
Compensated absences	6,208
Change in net assets of governmental activities	\$ <u><u>4,379,913</u></u>

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

Clinton Public School District
Statement of Fiduciary Assets and Liabilities
June 30, 2011

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ <u>1,435,357</u>
Total Assets	\$ <u><u>1,435,357</u></u>
Liabilities	
Accounts payable and accrued liabilities	\$ 1,323,696
Due to other funds	19,603
Due to student clubs	<u>92,058</u>
Total Liabilities	\$ <u><u>1,435,357</u></u>

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

Clinton Public School District

Notes to the Financial Statements
June 30, 2011

Clinton Public 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 related organization of, but not a component unit of, the city of Clinton since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

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

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

Clinton Public School District

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

the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

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

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

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

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

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. The general fund is used to account for and report all financial resources not accounted for and reported in another fund. From the fund are paid the general operating expenditures, including instructional, support, and other costs.

Clinton Public School District

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

ARRA - Federal Jobs Fund - This fund accounts for resources from the Reinvestment and Recovery Act grants to States to assist them in providing a free appropriate public education to all children.

Building Projects 2010 Fund - This capital projects fund is financed with general obligation bonds and is used to account for construction of school buildings and facilities in accordance with the district's long range capital project plan.

Building Projects QSCB Fund - This capital projects fund is financed with a Qualified School Construction Bond note and is used to account for repairs, renovations and capital improvements to school buildings and facilities in accordance with the district's long range capital project plan.

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

The District's fiduciary funds include the following:

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

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

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

Clinton Public School District

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

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

FIDUCIARY FUNDS

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered to be available when they are collectible within the current period. 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.

Clinton Public School District

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

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

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

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

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

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

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

E. Encumbrances

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

Clinton Public School District

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

Clinton Public School District

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net 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 account.

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental column 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.

Clinton Public School District

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

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 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.

Clinton Public School District

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

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

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

Clinton Public School District

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

Assignments of fund balance are created by the Superintendent and Finance Director pursuant to authorization established by the policy adopted by the school district.

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

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

Note 2 - Cash and Cash Equivalents and Investments

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

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

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest 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

Clinton Public School District

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

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 \$25,447,811 and \$1,435,357, respectively. The carrying amount of deposits reported in government-wide statements was \$25,348,127. A portion of this amount, \$99,684, is presented as restricted assets on Exhibit A.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district 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 \$29,102,921 was exposed to custodial credit risk.

Investments

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

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities in (years)</u>	<u>Fair Value</u>
External Investment Pool			
Mississippi Education Investment Pool Trust A and B	Unrated**	Various	\$ <u>2,300,258</u>

** The investments in the Mississippi Education Investment Pool A and B are not SEC-registered, and there is no regulatory oversight for this Pool. The fair value of the position of the Pool is the same as the value of the respective Pool shares. The Mississippi Education Investment Pool A and B does not issue separate financial statements.

Clinton Public School District

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

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.

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

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

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	ARRA - Federal Jobs Fund	\$ 854,238
	Other Governmental Funds	387,052
	Fiduciary Funds	<u>19,603</u>
Total		\$ <u><u>1,260,893</u></u>

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

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other Governmental Funds	\$ 4,113,271
	General Fund	<u>96,521</u>
Total		\$ <u><u>4,209,792</u></u>

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

Clinton Public School District

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

Note 4 - Restricted Assets

The restricted assets represent the cash balance, totaling \$99,684 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

Note 5 - Capital Assets

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

	Balance 7-1-2010	Additions	Retirements	Completed Construction	Balance 6-30-2011
<u>Non-depreciable capital assets:</u>					
Land	\$ 438,742		107,644		331,098
Construction in progress	1,907,148	2,405,210		(2,102,270)	2,210,088
Total non-depreciable capital assets	<u>2,345,890</u>	<u>2,405,210</u>	<u>107,644</u>	<u>(2,102,270)</u>	<u>2,541,186</u>
<u>Depreciable capital assets:</u>					
Buildings	37,379,083		994,772		36,384,311
Building improvements	310,793				310,793
Improvements other than buildings	9,117,775			2,102,270	11,220,045
Mobile equipment	3,697,904	105,616	123,295		3,680,225
Furniture and equipment	1,255,442	234,191	18,290		1,471,343
Total depreciable capital assets	<u>51,760,997</u>	<u>339,807</u>	<u>1,136,357</u>	<u>2,102,270</u>	<u>53,066,717</u>
<u>Less accumulated depreciation for:</u>					
Buildings	10,993,111	700,891	711,133		10,982,869
Building improvements	45,635	12,431			58,066
Improvements other than buildings	1,097,642	448,802			1,546,444
Mobile equipment	2,307,019	213,626	110,965		2,409,680
Furniture and equipment	885,754	195,655	18,108		1,063,301
Total accumulated depreciation	<u>15,329,161</u>	<u>1,571,405</u>	<u>840,206</u>	<u>0</u>	<u>16,060,360</u>
Total depreciable capital assets, net	<u>36,431,836</u>	<u>(1,231,598)</u>	<u>296,151</u>	<u>2,102,270</u>	<u>37,006,357</u>
Governmental activities capital assets, net	<u>\$ 38,777,726</u>	<u>1,173,612</u>	<u>403,795</u>	<u>0</u>	<u>39,547,543</u>

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 1,245,757
Support services	291,519
Non-instructional	34,129
Total depreciation expense	<u>\$ 1,571,405</u>

Clinton Public School District

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

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

	Spent to	Remaining
	<u>June 30, 2011</u>	<u>Commitment</u>
New Elementary School	\$ <u>2,210,088</u>	<u>22,619,048</u>

Note 6 - Long-term liabilities

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

	Balance			Balance	Amounts due
	7-1-2010	Additions	Reductions	6-30-2011	within one
					year
A. General obligation bonds payable	\$ 18,190,000	14,000,000	4,160,000	28,030,000	1,190,000
B. Three mill notes payable	2,690,000	6,000,000	255,000	8,435,000	515,000
C. Compensated absences payable	<u>276,189</u>		<u>6,208</u>	<u>269,981</u>	<u>16,841</u>
Total	\$ <u>21,156,189</u>	<u>20,000,000</u>	<u>4,421,208</u>	<u>36,734,981</u>	<u>1,721,841</u>

A. General obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation bonds, Series 2005	3.25-4.00%	03-15-05	03-15-22	\$ 17,500,000	14,475,000
General obligation bonds, Series 2010	3.00-4.25	12-23-10	06-01-30	<u>14,000,000</u>	<u>13,555,000</u>
Total				\$ <u>31,500,000</u>	<u>28,030,000</u>

Clinton Public 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:

1. Bond issue of Series 2005:

Year Ending June 30	Principal	Interest	Total
2012	\$ 725,000	561,562	1,286,562
2013	750,000	538,000	1,288,000
2014	850,000	513,625	1,363,625
2015	1,325,000	486,000	1,811,000
2016	1,425,000	433,000	1,858,000
2017 - 2021	8,400,000	1,230,000	9,630,000
2022	1,000,000	40,000	1,040,000
Total	\$ <u>14,475,000</u>	<u>3,802,187</u>	<u>18,277,187</u>

This debt will be retired from the Debt Service Funds (Debt Service - 2005 Bonds Fund) which will be financed by local millage and the Special Revenue Funds (EEF Building and Buses Fund) of \$166,601. The EEF Building and Bus Fund accounts for revenues the district receives from the State of Mississippi pursuant to the Mississippi Accountability and Adequate Education Program Act, Sections 37-151-1 through 37-151-7, Miss. Code Ann. (1972).

2. Bond issue of Series 2010

Year Ending June 30	Principal	Interest	Total
2012	\$ 465,000	503,588	968,588
2013	490,000	489,637	979,637
2014	510,000	474,938	984,938
2015	530,000	459,637	989,637
2016	555,000	443,738	998,738
2017 - 2021	3,180,000	1,877,462	5,057,462
2022 - 2026	3,960,000	1,165,575	5,125,575
2027 - 2030	3,865,000	345,450	4,210,450
Total	\$ <u>13,555,000</u>	<u>5,760,025</u>	<u>19,315,025</u>

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

Clinton Public School District

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

Total general obligation bond payments for all issues:

Year Ending June 30	Principal	Interest	Total
2012	\$ 1,190,000	1,065,150	2,255,150
2013	1,240,000	1,027,637	2,267,637
2014	1,360,000	988,563	2,348,563
2015	1,855,000	945,637	2,800,637
2016	1,980,000	876,738	2,856,738
2017 - 2021	11,580,000	3,107,462	14,687,462
2022 - 2026	4,960,000	1,205,575	6,165,575
2027 - 2030	3,865,000	345,450	4,210,450
Total	\$ <u>28,030,000</u>	<u>9,562,212</u>	<u>37,592,212</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2011, the amount of outstanding bonded indebtedness was equal to 12% of property assessments as of October 1, 2010.

B. Three Mill Notes Payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill note, Series 2008	3.63%	12-05-08	12-05-18	\$ 2,935,000	2,435,000
Three mill notes, Series 2010	0%	12-16-10	12-01-25	<u>6,000,000</u>	<u>6,000,000</u>
Total				\$ <u>8,935,000</u>	<u>8,435,000</u>

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

Clinton Public School District

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

1. Three mill notes payable issue of 2008:

Year Ending June 30	Principal	Interest	Total
2012	\$ 265,000	83,581	348,581
2013	275,000	73,780	348,780
2014	285,000	63,616	348,616
2015	300,000	52,998	352,998
2016	310,000	41,927	351,927
2017 - 2019	1,000,000	55,357	1,055,357
Total	\$ <u>2,435,000</u>	<u>371,259</u>	<u>2,806,259</u>

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

2. Three mill notes payable issue of 2010:

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

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

See Note 16 for required sinking fund payments.

C. 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 - Prior Year Defeasance of Debt

In prior years, the Clinton Public School District defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds were removed from the district's financial statements. On June 30, 2011, there were no defeased bonds.

Note 8 - Other Commitments

Commitments under construction contracts are described in Note 5.

Clinton Public School District

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

Operating leases:

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

Lease expenditures for the year ended June 30, 2011, amounted to \$42,190. Future lease payments for these leases are as follows:

Year Ending June 30		Amount
2012	\$	41,599
2013		41,599
2014		39,498
2015		19,563
Total	\$	<u>142,259</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 supplemental 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 \$2,213,124, \$2,482,734, and \$2,579,588, respectively, which equaled the required contributions for each year.

Clinton Public School District

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

Note 10 - Sixteenth Section Lands

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

Year Ending June 30	Amount
2012	\$ 139,305
2013	104,964
2014	104,138
2015	93,711
2016	71,587
2017 - 2021	326,651
2022 - 2026	306,398
2027 - 2031	217,288
2032 - 2036	48,005
Thereafter	14,632
Total	\$ <u>1,426,679</u>

Note 11 - Contingencies

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

Clinton Public School District

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

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

Note 12 - Risk Management

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

Note 13 - 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 Clinton Public 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 occurred that requires disclosure in the notes to the financial statements:

On September 14, 2010 the taxpayers of the district voted in favor of issuing \$23,500,000 in General Obligation Bonds to build a new 2-5 grade school and other capital improvements within the district. \$9,000,000 of these bonds, with a 2.75-3.25 interest rate, were issued in October 7, 2011.

Note 14 - Special Item

An amount of \$3,109,717, was treated as a Special Item inflow due to a gain on sale of property.

Note 15 - Insurance Loss Recoveries

The Clinton Public School District received \$680 in insurance loss recoveries related to bus damage during the 2010-2011 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as support services expenses.

Clinton Public School District

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

Note 16 - Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with construction rehabilitation or repair of a public school facility or the for 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 the U. S. Treasury Department. Under this program ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. The amount on deposit at June 30, 2011 was \$0. The amount in the sinking at the end of the 15 year period will be sufficient to retire the debt.

Year Ending June 30	Amount
2012	\$ 250,000
2013	350,000
2014	415,000
2015	415,000
2016	415,000
2017 - 2021	2,075,000
2022 - 2026	<u>2,080,000</u>
Total	\$ <u><u>6,000,000</u></u>

These are being funded by a three mill levy.

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REQUIRED SUPPLEMENTAL INFORMATION

CLINTON PUBLIC 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	\$ 11,192,904	10,889,888	10,631,627	(303,016)	(258,261)
State sources	17,494,526	17,098,664	17,093,982	(395,862)	(4,682)
Federal sources	51,920	42,813	42,812	(9,107)	(1)
Total Revenues	<u>28,739,350</u>	<u>28,031,365</u>	<u>27,768,421</u>	<u>(707,985)</u>	<u>(262,944)</u>
Expenditures:					
Instruction	15,435,666	15,917,077	14,173,892	(481,411)	1,743,185
Support services	11,568,852	11,818,372	9,530,515	(249,520)	2,287,857
Noninstructional services	50,200	39,200	16,498	11,000	22,702
Total Expenditures	<u>27,054,718</u>	<u>27,774,649</u>	<u>23,720,905</u>	<u>(719,931)</u>	<u>4,053,744</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,684,632</u>	<u>256,716</u>	<u>4,047,516</u>	<u>(1,427,916)</u>	<u>3,790,800</u>
Other Financing Sources (Uses):					
Insurance Loss Recoveries		680	680	680	0
Sale of other property		3,501,000	3,501,000	3,501,000	0
Sale of transportation equipment	700			(700)	0
Transfers In	3,421,590	3,849,618	96,521	428,028	(3,753,097)
Transfers Out	(4,960,908)	(7,865,886)	(4,113,271)	(2,904,978)	3,752,615
Total Other Financing Sources (Uses)	<u>(1,538,618)</u>	<u>(514,588)</u>	<u>(515,070)</u>	<u>1,024,030</u>	<u>(482)</u>
Net Change in Fund Balances	<u>146,014</u>	<u>(257,872)</u>	<u>3,532,446</u>	<u>(403,886)</u>	<u>3,790,318</u>
Fund Balances:					
July 1, 2010	<u>5,674,791</u>	<u>5,292,963</u>	<u>5,292,963</u>	<u>(381,828)</u>	<u>0</u>
June 30, 2011	<u>\$ 5,820,805</u>	<u>5,035,091</u>	<u>8,825,409</u>	<u>(785,714)</u>	<u>3,790,318</u>

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

CLINTON PUBLIC SCHOOL DISTRICT

Exhibit 2

Budgetary Comparison Schedule
 ARRA - Federal Jobs 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	\$	854,238	854,238	854,238	0
Total Revenues	0	854,238	854,238	854,238	0
Expenditures:					
Instruction		854,238	854,238	(854,238)	0
Total Expenditures	0	854,238	854,238	(854,238)	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0	0	0
Net Change in Fund Balances	0	0	0	0	0
Fund Balances:					
July 1, 2010	0	0	0	0	0
June 30, 2011	\$ 0	0	0	0	0

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

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION

Clinton Public 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

Clinton Public School District
 Schedule of Expenditure 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	\$ 158,615
National School Lunch Program	10.555	1,004,692
Total child nutrition cluster		<u>1,163,307</u>
Total passed-through Mississippi Department of Education		<u>1,163,307</u>
Total U. S. Department of Agriculture		<u>1,163,307</u>
<u>U.S. Department of Labor</u>		
ARRA - Employee Benefits Security Administration (EBSA), Recovery Act	17.151	8,361
Total Department of Labor		<u>8,361</u>
<u>Federal Communications Commission</u>		
Administered through Universal Service Administrative Company:		
The Schools and Libraries Program of the Universal Service Fund	32.xxx	34,451
Total Federal Communications Commission		<u>34,451</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	881,149
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	290,997
Total Title I Cluster		<u>1,172,146</u>
Education Technology State Grants Cluster:		
Education Technology State Grants	84.318	7,845
ARRA - Education Technology State Grants, Recovery Act	84.386	16,008
Total Education Technology State Grants Cluster		<u>23,853</u>
Career and Technical Education - Basic Grants to States	84.048	39,430
Safe and Drug Free Schools and Communities - State Grants	84.186	11,709
English Language Acquisition Grants	84.365	24,567
Improving Teacher Quality - State Grants	84.367	220,971
ARRA - State Fiscal Stabilization Funds (SFSF)- Education State Grants, Recovery Act	84.394	1,143,957
Education Jobs Fund	84.410	854,238
Subtotal		<u>3,490,871</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	770,455
Special Education - Preschool Grants	84.173	22,491
ARRA - Special Education - Grants to States - Recovery Act	84.391	730,455
ARRA - Special Education - Preschool Grants - Recovery Act	84.392	13,467
Total special education cluster		<u>1,536,868</u>
Total passed-through the Mississippi Department of Education		<u>5,027,739</u>
Total U. S. Department of Education		<u>5,027,739</u>
TOTAL FOR ALL FEDERAL AWARDS		<u>\$ 6,233,858</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.

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

Schedule 2

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 24,833,555	18,251,906	919,800	2,019,744	3,642,105
Other	<u>17,310,656</u>	<u>2,903,137</u>	<u>309,793</u>	<u>60,107</u>	<u>14,037,619</u>
Total	<u>\$ 42,144,211</u>	<u>21,155,043</u>	<u>1,229,593</u>	<u>2,079,851</u>	<u>17,679,724</u>
Total number of students*	<u>4,535</u>				
Cost per student	<u>\$ 9,293</u>	<u>4,665</u>	<u>271</u>	<u>459</u>	<u>3,898</u>

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

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

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

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

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

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

OTHER INFORMATION

CLINTON PUBLIC SCHOOL DISTRICT

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

"UNAUDITED"

	2011	2010*	2009*	2008*
Revenues:				
Local sources	\$ 10,631,627	10,915,744	10,701,992	10,223,505
State sources	17,093,982	18,384,066	20,226,501	21,047,739
Federal sources	42,812	100,398	108,551	35,788
Total Revenues	<u>27,768,421</u>	<u>29,400,208</u>	<u>31,037,044</u>	<u>31,307,032</u>
Expenditures:				
Instruction	14,173,892	16,790,837	18,184,927	18,089,848
Support services	9,530,515	10,668,533	10,563,549	10,382,463
Noninstructional services	16,498	11,133	23,718	14,342
Debt service:				
Other			301	61,877
Total Expenditures	<u>23,720,905</u>	<u>27,470,503</u>	<u>28,772,495</u>	<u>28,548,530</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>4,047,516</u>	<u>1,929,705</u>	<u>2,264,549</u>	<u>2,758,502</u>
Other Financing Sources (Uses):				
Insurance loss recoveries	680	362	828	
Sale of transportation equipment				834
Sale of other property	3,501,000			1,005
Operating transfers in	96,521	38,514	71,521	32,570
Operating transfers out	(4,113,271)	(2,475,189)	(2,475,227)	(1,735,518)
Total Other Financing Sources (Uses)	<u>(515,070)</u>	<u>(2,436,313)</u>	<u>(2,402,878)</u>	<u>(1,701,109)</u>
Net Change in Fund Balances	<u>3,532,446</u>	<u>(506,608)</u>	<u>(138,329)</u>	<u>1,057,393</u>
Fund Balances:				
July 1,	5,292,963	5,799,571	5,937,900	4,880,507
June 30,	<u>\$ 8,825,409</u>	<u>5,292,963</u>	<u>5,799,571</u>	<u>5,937,900</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

CLINTON PUBLIC 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	\$ 13,259,769	13,584,736	13,159,803	12,366,621
State sources	18,093,982	19,104,890	20,994,118	21,834,703
Federal sources	6,233,447	4,881,194	3,175,275	2,867,044
Sixteenth section sources	242,713	614,524	171,739	182,266
Total Revenues	<u>37,829,911</u>	<u>38,185,344</u>	<u>37,500,935</u>	<u>37,250,634</u>
Expenditures:				
Instruction	19,678,853	21,196,737	20,924,570	20,670,505
Support services	12,824,015	12,255,752	13,417,196	14,009,196
Noninstructional services	1,749,330	1,715,821	1,809,905	1,729,237
Sixteenth section	90,567	60,866	60,093	54,746
Facilities acquisition and construction	2,405,210	1,499,415	545,433	1,919,599
Debt service:				
Principal	4,415,000	1,665,000	1,395,000	1,340,000
Interest	978,636	916,785	812,418	858,995
Other	2,600	1,850	2,151	63,727
Total Expenditures	<u>42,144,211</u>	<u>39,312,226</u>	<u>38,966,766</u>	<u>40,646,005</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(4,314,300)</u>	<u>(1,126,882)</u>	<u>(1,465,831)</u>	<u>(3,395,371)</u>
Other Financing Sources (Uses):				
Proceeds of bonds	14,000,000			
Proceeds of loans	6,000,000		2,935,000	
Insurance loss recoveries	680	362	828	
Sale of transportation equipment				834
Sale of other property	3,501,000			1,005
Operating transfers in	4,209,792	2,513,703	2,602,305	4,166,223
Operating transfers out	(4,209,792)	(2,513,703)	(2,602,305)	(4,166,223)
Total Other Financing Sources (Uses)	<u>23,501,680</u>	<u>362</u>	<u>2,935,828</u>	<u>1,839</u>
Net Change in Fund Balances	19,187,380	(1,126,520)	1,469,997	(3,393,532)
Fund Balances:				
July 1,	9,397,158	10,536,903	9,045,456	12,445,396
Increase (Decrease) in reserve for inventory	17,380	(13,225)	21,450	(6,408)
June 30,	<u>\$ 28,601,918</u>	<u>9,397,158</u>	<u>10,536,903</u>	<u>9,045,456</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL 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
Clinton Public School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Clinton Public School District as of and for the year ended June 30, 2011, which collectively comprise the Clinton Public School District's basic financial statements and have issued our report thereon dated January 10, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

1929 SPILLWAY ROAD, SUITE B
BRANDON, MISSISSIPPI 39047
TELEPHONE 601-992-5292 FAX 601-992-2033

Compliance and Other Matters

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

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
January 10, 2012

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
Clinton Public School District

Compliance

We have audited Clinton Public School District's compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The Clinton Public School District's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contract and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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

In our opinion, the Clinton Public School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the Clinton Public School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Clinton Public 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,

1929 SPILLWAY ROAD, SUITE B
BRANDON, MISSISSIPPI 39047
TELEPHONE 601-992-5292 FAX 601-992-2033

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

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

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

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
January 10, 2012

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Clinton Public School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clinton Public School District as of and for the year ended June 30, 2011, which collectively comprise Clinton Public School District's basic financial statements and have issued our report thereon dated January 10, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to 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 \$1,973 of classroom supply funds carried over from previous years.

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

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

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

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

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies 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
January 10, 2012

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Clinton Public School District

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

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

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

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010 & 84.389	Title I Cluster
84.027, 84.173, 84.391 & 84.392	Special Education Cluster
84.367	Improving Teacher Quality - State Grants
84.394	ARRA - State Fiscal Stabilization Fund (SFSF) Education State Grants, Recovery Act
84.410	Education Jobs Fund

8. Dollar threshold used to distinguish between type A and type B programs: \$300,000.
9. Auditee qualified as low-risk auditee? No.

Section II: Financial Statements Findings

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

Section III: Federal Award Findings and Questioned Costs

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