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**Cleveland School District**  
**Audited Financial Statements**  
**For the Year Ended June 30, 2013**

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

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**INDEPENDENT AUDITOR'S REPORT**



DAVID I. BRIDGERS, JR., CPA  
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MEMBERS OF  
MISSISSIPPI SOCIETY OF CPA'S  
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## INDEPENDENT AUDITOR'S REPORT

**Superintendent and School Board  
Cleveland School District**

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cleveland School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Cleveland School District's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Cleveland School District, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis beginning on page 6 and the budgetary comparison information beginning on page 42 be presented to supplement the basic financial statements. Such information, although not a part of basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2014, on our consideration of the Cleveland School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Cleveland School District's internal control over financial reporting and compliance.

*Bridgers & Goodman, PLLC*  
Bridgers & Goodman, PLLC  
Certified Public Accountants  
Vicksburg, Mississippi  
March 24, 2014

**CLEVELAND SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Cleveland School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2013

The following discussion and analysis of Cleveland School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2013. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

**FINANCIAL HIGHLIGHTS**

- Total net position for 2013 increased \$121,783, which represents a 2% increase from the 2012 fiscal year.  
Total net position for 2012 increased \$1,509,558, including a prior period adjustment of \$231,983, which represents a 31% increase from the 2011 fiscal year.
- General revenues amounted to \$23,787,723 and \$23,330,882, or 76% and 73% of all revenues for fiscal years 2013 and 2012, respectively. Program specific revenues in the form of charges for services accounted for \$7,329,406, or 24% of total revenues for 2013, and \$8,477,125, or 27% of total revenues for 2012.
- The District had \$30,995,346 and \$30,530,432 in expenses for fiscal years 2013 and 2012; only \$7,329,406 for 2013 and \$8,477,125 for 2012 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$23,787,723 for 2013 and \$23,330,882 for 2012 were adequate to provide for these programs.
- Among major funds, the General Fund had \$24,014,932 in revenues and \$23,158,464 in expenditures for 2013, and \$23,263,524 in revenues and \$21,745,443 in expenditures in 2012. The General Fund's fund balance decreased by \$55,978 from 2012 to 2013 and increased by \$953,825 from 2011 to 2012.
- Capital assets, net of accumulated depreciation, increased by \$18,554 for 2013 and increased by \$3,794,593, which includes a prior period adjustment of \$231,983, for 2012. The increase for 2013 was due to the net effect of a \$361,168 addition of assets less the increase in accumulated depreciation of \$342,614.
- Long-term debt increased by \$535,599 for 2013 and increased by \$3,520,599 for 2012. The increase for 2013 was due primarily to the net effect of a bond issuance and principal payments on outstanding long-term debt. In addition, the liability for compensated absences increased by \$36,786 for 2013 and increased by \$8,453 for the fiscal year 2012.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Government-wide Financial Statements**

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

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Management's Discussion and Analysis  
For the Year Ended June 30, 2013

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

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

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

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

### **Fund Financial Statements**

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

**Governmental funds** – Most of the District's general activities are reported in its governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities, in the government-wide financial statements. However, governmental funds are accounted for using the modified accrual basis of accounting and the flow of current financial resources measurement focus. The approach focuses on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at year end. The governmental fund statements provide a detailed view of the District's near-term financing requirements.

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

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

**Fiduciary funds** - Fiduciary funds are used to account for resources held for the benefit of parties

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Management's Discussion and Analysis  
For the Year Ended June 30, 2013

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

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

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

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

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

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

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

**Notes to the Financial Statements**

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

**Required Supplementary Information**

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

**Supplementary Information**

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

**Other Information**

Additionally, not a required part of the basic financial statements, the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years is

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net position**

Net position may serve over time as a useful indicator of District's financial position. Assets exceeded liabilities by \$6,505,253 as of June 30, 2013.

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

Table 1 presents a summary of the District's net position for the fiscal years ended June 30, 2013 and June 30, 2012.

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

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<b>Percentage Change</b>
Current assets	\$ 6,187,350	6,818,682	-9.26%
Restricted assets	1,899,711	2,096,864	-9.40%
Capital assets, net	8,605,014	8,586,460	0.22%
<b>Total assets</b>	<u>16,692,075</u>	<u>17,502,006</u>	<b>-4.63%</b>
Current liabilities	537,734	2,041,833	-73.66%
Long-term debt outstanding	9,649,088	9,076,703	6.31%
<b>Total liabilities</b>	<u>10,186,822</u>	<u>11,118,536</u>	<b>-8.38%</b>
<b>Net position:</b>			
Net investment in capital assets	526,521	719,824	-26.85%
Restricted	2,688,040	1,226,332	119.19%
Unrestricted	3,290,692	4,437,314	-25.84%
<b>Total net position</b>	<u>\$ 6,505,253</u>	<u>6,383,470</u>	<b>1.91%</b>

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

- Decrease in net capital assets in the amount of \$18,554.
- The principal retirement of \$470,000 of long-term debt.
- Issuing \$1,000,000 in qualified school construction bonds.

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2013 and June 30, 2012 were \$31,117,129 and \$31,808,007, respectively. The total cost of all programs and services was \$30,995,346 for 2013 and \$30,530,432 for 2012.

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**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2013**

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2013 and June 30, 2012.

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

<b>Revenues:</b>	<b>Year Ended</b>	<b>Year Ended</b>	<b>Percentage</b>
	<b>June 30, 2013</b>	<b>June 30, 2012</b>	<b>Change</b>
Program revenues			
Charges for services	\$ 628,702	700,780	-10.29%
Operating grants and contributions	6,700,704	7,776,345	-13.83%
General revenues:			
Property taxes	9,050,825	8,606,216	5.17%
Grants and contributions not restricted	14,479,795	14,504,819	-0.17%
Investment earnings	22,924	8,578	167.24%
Sixteenth section sources	171,561	154,761	10.86%
Other	62,618	56,508	10.81%
<b>Total revenues</b>	<b>31,117,129</b>	<b>31,808,007</b>	<b>-2.17%</b>
<b>Expenses:</b>			
Instruction	17,094,895	17,552,786	-2.61%
Support services	11,553,466	10,655,923	8.42%
Non-instructional	2,118,082	2,157,370	-1.82%
Sixteenth section	43,420	46,946	-7.51%
Interest on long-term liabilities	185,483	117,407	57.98%
<b>Total expenses</b>	<b>30,995,346</b>	<b>30,530,432</b>	<b>1.52%</b>
<b>Increase in net position</b>	<b>121,783</b>	<b>1,277,575</b>	<b>-90.47%</b>
<b>Net Position, July 1, as previously reported</b>	<b>6,383,470</b>	<b>4,873,912</b>	<b>30.97%</b>
<b>Prior Period Adjustment</b>	<b>0</b>	<b>231,983</b>	<b>-100.00%</b>
<b>Net Position, July 1, as restated</b>	<b>6,383,470</b>	<b>5,105,895</b>	<b>25.02%</b>
<b>Net Position, June 30</b>	<b>\$ 6,505,253</b>	<b>6,383,470</b>	<b>1.91%</b>

**Governmental activities**

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

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**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2013**

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

	<u>Total Expenses</u>		Percentage Change
	2013	2012	
Instruction	\$ 17,094,895	17,552,786	-2.61%
Support services	11,553,466	10,655,923	8.42%
Non-instructional	2,118,082	2,157,370	-1.82%
Sixteenth section	43,420	46,946	-7.51%
Interest on long-term liabilities	185,483	117,407	57.98%
<b>Total expenses</b>	<b>\$ 30,995,346</b>	<b>30,530,432</b>	<b>1.52%</b>
	<u>Net (Expense) Revenue</u>		
	2013	2012	Change
Instruction	\$ (13,297,093)	(13,179,098)	0.90%
Support services	(9,744,276)	(8,548,992)	13.98%
Non-instructional	(395,668)	(160,864)	145.96%
Sixteenth section	(43,420)	(46,946)	-7.51%
Interest on long-term liabilities	(185,483)	(117,407)	57.98%
<b>Total net (expense) revenue</b>	<b>\$ (23,665,940)</b>	<b>(22,053,307)</b>	<b>7.31%</b>

- Net cost of governmental activities, \$23,665,940 for 2013 and \$22,053,307 for 2012 was financed by general revenue, which is made up of primarily property taxes of \$9,050,825 for 2013 and \$8,606,216 for 2012 and state and federal revenues of \$14,479,795 for 2013 and \$14,504,819 for 2012. In addition, there was \$171,561 and \$154,761 in Sixteenth Section sources for 2013 and 2012, respectively.
- Investment earnings amounted to \$22,924 for 2013 and \$8,578 for 2012.

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

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

**Governmental funds**

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$7,549,233, an increase of \$670,672, which includes a decrease in inventory of \$7,119. \$4,737,886 or 63% 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 \$505,717 or 7% is non-spendable,

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\$2,105,234 or 28% is restricted, \$84,803 or 1% is committed and \$115,593 or 1% 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 decrease in fund balance in the General Fund for the fiscal year was \$55,978. The fund balance of Other Governmental Funds showed a decrease in the amount of \$269,536 which includes a decrease in reserve for inventory of \$7,119. The other increases (decreases) in the fund balances for the other major funds were as follows:

<b>Major Fund</b>	<b>Increase (Decrease)</b>
QSCB Construction Bond Fund	\$1,000,206
MAEP Bond Retire Fund	\$ (4,020)

**BUDGETARY HIGHLIGHTS**

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

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

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

As of June 30, 2013, the District's total capital assets were \$16,364,661, including land, school buildings, building improvements, improvements other than buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$361,168 from 2012. Total accumulated depreciation as of June 30, 2013, was \$7,759,647, and total depreciation expense for the year was \$342,614, resulting in total net capital assets of \$8,605,014.

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

	<b>June 30, 2013</b>	<b>June 30, 2012</b>	<b>Percentage Change</b>
Land	\$ 111,036	111,036	0.00%
Construction in progress	3,967,181	3,967,181	0.00%
Buildings	2,748,953	2,851,693	-3.60%
Building improvements	840,973	851,023	-1.18%
Improvements other than buildings	39,058	40,558	-3.70%
Mobile equipment	827,469	667,848	23.90%
Furniture and equipment	70344	97121	-27.57%
Total	\$ 8,605,014	8,586,460	0.22%

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

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**Management's Discussion and Analysis**  
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**Debt Administration**

At June 30, 2013, the District had \$9,649,088 in outstanding long-term debt, of which \$484,401 is due within one year. The liability for compensated absences at June 30, 2013 was \$340,641, an increase of \$36,786 from the prior year. The District maintains a AA bond rating.

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

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Limited obligation bonds payable	\$ 2,110,000	2,430,000	-13.17%
Three mill notes payable	485,000	635,000	-23.62%
Qualified school construction bonds payable	6,741,437	5,741,437	17.42%
Compensated absences payable	340,641	303,855	12.11%
<b>Total</b>	<b>\$ 9,677,078</b>	<b>9,110,292</b>	<b>6.22%</b>
Less deferred bond costs	(27,990)	(33,589)	-16.67%
	<u>\$ 9,649,088</u>	<u>9,076,703</u>	6.31%

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

**CURRENT ISSUES**

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

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

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

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

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

**FINANCIAL STATEMENTS**

**Cleveland School District**

**Statement of Net Position**

**Exhibit A**

**June 30, 2013**

**Assets**

**Governmental**

**Activities**

Cash and cash equivalents	\$	4,805,948
Investments		393,062
Due from other governments		848,232
Due from other funds		36,882
Advances to other funds		20,000
Inventories		40,309
Prepaid items		12,568
Other receivables		100
Restricted assets		1,899,711
Deferred charges		30,249
Capital assets, non-depreciable:		
Land		111,036
Construction in progress		3,967,181
Capital assets, net of accumulated depreciation:		
Buildings		2,748,953
Building improvements		840,973
Improvements other than buildings		39,058
Mobile equipment		827,469
Furniture and equipment		70,344
<b>Total Assets</b>		<b>16,692,075</b>

**Liabilities**

Accounts payable and accrued liabilities		487,999
Other payables		19,580
Interest payable on long-term liabilities		30,155
Long-term liabilities, due within one year		
Capital related liabilities		484,401
Non-capital related liabilities		
Long-term liabilities, due beyond one year		
Capital related liabilities		8,824,046
Non-capital related liabilities		340,641
<b>Total Liabilities</b>		<b>10,186,822</b>

**Net Position**

Net investment in capital assets		526,521
Restricted for:		
Expendable:		
School-based activities		180,080
Debt service		742,247
Capital improvements		1,261,665
Forestry improvements		146
Unemployment benefits		71,061
Non-expendable:		
Sixteenth section		432,841
Unrestricted		3,290,692
<b>Total Net Position</b>	<b>\$</b>	<b>6,505,253</b>

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

**Cleveland School District**

**Statement of Activities**

**Exhibit B**

**For the Year Ended June 30, 2013**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Instruction	\$ 17,094,895	\$ 380,443	\$ 3,417,359	\$ (13,297,093)
Support services	11,553,466		1,809,190	(9,744,276)
Non-instructional	2,125,201	248,259	1,474,155	(402,787)
Sixteenth section	43,420			(43,420)
Interest and other costs on long term liabilities	178,364			(178,364)
<b>Total Governmental Activities</b>	<u>\$ 30,995,346</u>	<u>\$ 628,702</u>	<u>\$ 6,700,704</u>	<u>(23,665,940)</u>
General Revenues:				
Taxes:				
General purpose levies				8,896,365
Debt purposes levies				154,460
Unrestricted grants and contributions:				
State				14,282,580
Federal				197,215
Unrestricted investment earnings				22,924
Sixteenth section sources				171,561
Other				62,618
<b>Total General Revenues</b>				<u>23,787,723</u>
<b>Change in Net Position</b>				<u>121,783</u>
<b>Net Position - Beginning as restated</b>				<u>6,383,470</u>
<b>Net Position - Ending</b>				<u>\$ 6,505,253</u>

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

**Cleveland School District  
Governmental Funds**

**Balance Sheet  
June 30, 2013**

**Exhibit C**

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	QSCB Construction Bond	MAEP Bond Retire		
<b>ASSETS</b>					
Cash and cash equivalents	\$ 4,533,566	\$ 1,000,206	\$ 13,986	\$ 987,733	\$ 6,535,491
Investments			170,168	393,062	563,230
Due from other governments	374,735		194,932	278,565	848,232
Other receivables				100	100
Advances from other funds	20,000				20,000
Due from other funds	258,662				258,662
Inventories				40,309	40,309
Prepaid items	12,568				12,568
<b>Total Assets</b>	<b>5,199,531</b>	<b>1,000,206</b>	<b>379,086</b>	<b>1,699,769</b>	<b>8,278,592</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable and accrued liabilities	348,873			139,126	487,999
Due to other funds				221,780	221,780
Other payables	19,580				19,580
<b>Total Liabilities</b>	<b>368,453</b>	<b>-</b>	<b>-</b>	<b>360,906</b>	<b>729,359</b>
Fund Balances:					
Nonspendable					
Inventory				40,308	40,308
Permanent fund principal				432,841	432,841
Prepaid items	12,568				12,568
Advances	20,000				20,000
Restricted					
Unemployment benefits				71,061	71,061
Capital projects		1,000,206		261,459	1,261,665
Forestry improvements				146	146
Debt service			379,086	393,276	772,362
Committed					
Other commitments - program operations	60,624			24,179	84,803
Assigned					
Special activity				115,593	115,593
Unassigned	4,737,886				4,737,886
<b>Total Fund Balances</b>	<b>4,831,078</b>	<b>1,000,206</b>	<b>379,086</b>	<b>1,338,863</b>	<b>7,549,233</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,199,531</b>	<b>\$ 1,000,206</b>	<b>\$ 379,086</b>	<b>\$ 1,699,769</b>	<b>\$ 8,278,592</b>

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

Cleveland School District

Governmental Funds

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2013

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 7,549,233
Amounts reported for governmental activities in the Statement of Net Position are different because:	
1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$7,759,647.	8,605,014
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(9,649,088)
3. Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Position recognizes interest as it accrues.	(30,155)
4. Governmental funds recognize bond issuance costs on long-term debt when paid, however the Statement of Net Position recognizes and accrues bond issuance costs over the life of the bonds.	30,249
Total Net Position - Governmental Activities	<u>\$ 6,505,233</u>

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

**Cleveland School District  
Governmental Funds**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended June 30, 2013**

**Exhibit D**

	Major Funds				Total Governmental Funds
	General Fund	QSCB Construction Fund	MAEP Bond Retire	Other Governmental Funds	
<b>Revenues:</b>					
Local sources	\$ 9,349,828	\$ 206	\$ 1	\$ 415,036	\$ 9,765,071
State sources	14,467,889		379,869	511,630	15,359,388
Federal sources	197,215			5,623,894	5,821,109
Sixteenth section sources				171,561	171,561
Total Revenues	<u>24,014,932</u>	<u>206</u>	<u>379,870</u>	<u>6,722,121</u>	<u>31,117,129</u>
<b>Expenditures:</b>					
Instruction	13,806,746			3,216,638	17,023,384
Support services	9,217,473			2,354,406	11,571,879
Noninstructional services	134,245			2,015,053	2,149,298
Sixteenth section				43,420	43,420
Debt service:					
Principal			320,000	150,000	470,000
Interest			62,890	115,967	178,857
Other			1,000	1,500	2,500
Total Expenditures	<u>23,158,464</u>	<u>-</u>	<u>383,890</u>	<u>7,896,984</u>	<u>31,439,338</u>
Excess (Deficiency) of Revenues over Expenditures	<u>856,468</u>	<u>206</u>	<u>(4,020)</u>	<u>(1,174,863)</u>	<u>(322,209)</u>
<b>Other Financing Sources (Uses):</b>					
Proceeds of long-term debt		1,000,000			1,000,000
Operating transfers in	180,885			1,093,331	1,274,216
Operating transfers out	(1,093,331)			(180,885)	(1,274,216)
Total Other Financing Sources (Uses)	<u>(912,446)</u>	<u>1,000,000</u>	<u>-</u>	<u>912,446</u>	<u>1,000,000</u>
Net Change in Fund Balances	<u>(55,978)</u>	<u>1,000,206</u>	<u>(4,020)</u>	<u>(262,417)</u>	<u>677,791</u>
<b>Fund Balances:</b>					
July 1, 2012	<u>4,887,056</u>		<u>383,106</u>	<u>1,608,399</u>	<u>6,878,561</u>
Increase in reserve for inventory				(7,119)	(7,119)
June 30, 2013	<u>\$ 4,831,078</u>	<u>\$ 1,000,206</u>	<u>\$ 379,086</u>	<u>\$ 1,338,863</u>	<u>\$ 7,549,233</u>

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

**Cleveland School District**

**Governmental Funds**

**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, 2013**

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ 677,791
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 \$361,168 and the depreciation expense amounted to \$342,614.	18,554
2. Decrease in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are decreased in the Statement of Activities.	(7,119)
3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when the debt is first issued. These amounts are deferred and amortized in the statement of activities.	
Bonds issued	(1,000,000)
Payment of debt principal	470,000
Amortization of deferred charges	(9,249)
Accrued interest payable	<u>8,592</u>
	(530,657)
4. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:	
Compensated absences	(36,786)
Change in Net Position of Governmental Activities	<u>\$ 121,783</u>

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

Cleveland School District

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities

Exhibit E

June 30, 2013

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 420,094
Total Assets	<u>420,094</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	358,332
Due to other funds	36,882
Due to student clubs	4,880
Advances	<u>20,000</u>
Total Liabilities	<u>\$ 420,094</u>

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

**Cleveland School District**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2013**

**NOTE 1      Summary of Significant Accounting Policies**

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

**A.      Financial Reporting Entity**

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

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

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

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

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

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

**Cleveland School District**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2013**

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

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

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

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. The general fund is used to account for and report all financial resources not accounted for and reported in another fund

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

MAEP Retirement Bond Fund - This fund accounts for the resources and expenditures of the MAEP bond.

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

The District also reports fiduciary funds include the following:

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

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

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

**Cleveland School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2013**

Additionally, the school district reports the following fund types:

**GOVERNMENTAL FUNDS**

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

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

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

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

**FIDUCIARY FUNDS**

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

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

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

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

**Cleveland School District**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2013**

accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

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

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

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

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

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

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

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

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems*, 2003, issued by the U.S. Department of Education.

**Cleveland School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2013**

**D. Encumbrances**

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

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

1. Cash and Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

**Cleveland School District**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2013**

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16<sup>th</sup> Section Principal fund is not available for use by the district except as provided for under state statute for loans from this account.

6. Capital Assets

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

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

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

**Cleveland School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2013**

The following schedule details the capitalization thresholds:

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

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

7. **Compensated Absences**

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

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

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.

**Cleveland School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2013**

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 non-spendable, restricted, committed, assigned or unassigned. Following are descriptions of fund classifications used by the district:

*Non-spendable fund balance* includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivables, or property held for resale unless the proceeds are restricted, committed or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

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

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

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

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

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the

**Cleveland School District**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2013**

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

**NOTE 2      Cash and Cash Equivalents and Investments**

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

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

Investments: Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest surplus funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposits and interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, the principal and interest of which are fully guaranteed by the government or enumerated agency of the United States; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or interest in, and open-end or closed-end any management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Amounts less than \$100 can be credited to the General Fund.

**Cash and Cash Equivalents**

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$6,535,491 and \$420,094, respectively. A portion of

**Cleveland School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2013**

this amount, \$1,729,543, is presented as restricted assets on Exhibit A. The carrying amount of deposits reported in government-wide statements was: \$4,805,948.

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2013, none of the district's bank balance of \$8,791,776 was exposed to custodial credit risk.

**Investments**

As of June 30, 2013, the district had the following investments with fiscal agents.

Investment	Rating	Maturity	Fair Value
Hancock Bank – Federated US Treasury Cash Reserve	US Treasury Deposit	Various	\$170,168
Trustmark Bank – U.S. Government Securities	US Treasury Deposit	Various	\$253,060
Bank Plus – U.S. Government Securities	US Treasury Deposit	Various	\$140,002
<b>Total Investments</b>			<b>\$563,230</b>

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

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

*Custodial Credit Risk – Investments:* Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. Of the district's investments none of the underlying securities are held by the investment's counterparty, not in the name of the district.

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

**Cleveland School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2013**

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

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

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Other governmental	221,780
General fund	Fiduciary funds	36,882
Total		<u>\$ 258,662</u>

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

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Fiduciary Funds	\$ 20,000
Total		<u>\$ 20,000</u>

Advances were for cash flow purposes.

**C. Inter-fund Transfers**

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
General fund	Other governmental funds	\$ 1,093,331
Other governmental funds	General fund	180,885
Total		<u>\$ 1,274,216</u>

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

**NOTE 4 Restricted Assets**

The restricted assets represent the cash balance totaling \$436,111 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.

**Cleveland School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2013**

In addition, the restricted assets represent the cash balance in the amount of \$31,711 of the Three Mill Levy Construction Fund.

In addition, the restricted assets represent the cash balance in the amount of \$17,781 of the QSCB debt service fund.

In addition, the restricted assets represent the cash and investments balance in the amount of \$13,986 and \$170,168, respectively, of the MAEP Limited Obligation Bond/Note Fund.

In addition, the restricted assets represent the cash balance in the amount of \$1,229,954 of the unspent Qualified School Construction Bond proceeds.

**NOTE 5 Capital Assets**

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

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2013</u>
Non-depreciable capital assets:				
Land	\$ 111,036			\$ 111,036
Construction in progress	3,967,181			3,967,181
Total non-depreciable capital assets	<u>4,078,217</u>	<u>-</u>	<u>-</u>	<u>4,078,217</u>
Depreciable capital assets:				
Buildings	7,488,140			7,488,140
Building improvements	1,095,726			1,095,726
Improvement other than buildings	112,238			112,238
Mobile equipment	2,421,602	288,296		2,709,898
Furniture and equipment	807,570	72,872		880,442
Total depreciable capital assets	<u>11,925,276</u>	<u>361,168</u>	<u>-</u>	<u>12,286,444</u>
Less accumulated depreciation:				
Buildings	4,636,447	102,740		4,739,187
Building improvements	244,703	10,050		254,753
Improvement other than buildings	71,680	1,500		73,180
Mobile equipment	1,753,754	128,675		1,882,429
Furniture and equipment	710,449	99,649		810,098
Total accumulated depreciation	<u>7,417,033</u>	<u>342,614</u>	<u>-</u>	<u>7,759,647</u>
Total depreciable capital assets, net	<u>4,508,243</u>	<u>18,554</u>	<u>-</u>	<u>4,526,797</u>
Governmental activities capital assets, net	<u>\$ 8,586,460</u>	<u>\$ 18,554</u>	<u>\$ -</u>	<u>\$ 8,605,014</u>

Depreciation expense was charged to the following governmental functions:

**Cleveland School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2013**

<b>Governmental Activities</b>	<b>Amount</b>
Instruction	\$ 197,585
Support services	120,771
Non-instructional	24,258
Total depreciation expense	<u>\$ 342,614</u>

Construction in progress is composed of:

Governmental Activities:	Spent to June 30, 2013	Remaining Commitment
Additions and Renovations	\$ 3,967,181	\$ 1,000,206
Total	<u>\$ 3,967,181</u>	<u>\$ 1,000,206</u>

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

**NOTE 6 Long-term Liabilities**

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

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2013</u>	<u>Amounts due within one year</u>
A Limited obligation bonds payable	\$ 2,430,000		\$ 320,000	\$ 2,110,000	\$ 330,000
B Three mill notes payable	635,000		150,000	485,000	160,000
C Qualified school construction bond payable	5,741,437	1,000,000		6,741,437	
D Compensated absences payable	303,855	36,786		340,641	
Total	<u>9,110,292</u>	<u>1,036,786</u>	<u>470,000</u>	<u>9,677,078</u>	<u>490,000</u>
Add: bond issue premium	5,953		(992)	4,961	992
Less: deferred amounts on issues	(39,542)		6,591	(32,951)	(6,591)
Total - net	<u>9,076,703</u>	<u>1,036,786</u>	<u>475,599</u>	<u>9,649,088</u>	<u>484,401</u>

**A. Limited obligation bonds payable**

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

Limited obligation bonds currently outstanding are as follows:

**Cleveland School District**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2013**

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement bonds, Series 2009	4.90%	07/01/09	02/01/18	3,155,000	2,110,000
Total				<u>\$ 3,155,000</u>	<u>\$ 2,110,000</u>

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 330,000	\$ 55,818	\$ 385,818
2015	335,000	47,918	382,918
2016	345,000	38,555	383,555
2017	355,000	28,055	383,055
2018	745,000	17,255	762,255
Total	<u>\$ 2,110,000</u>	<u>\$ 187,601</u>	<u>\$ 2,297,601</u>

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

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

Debt Currently outstanding as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax notes, Series 2010	1.75-2.25%	11/12/2010	11/1/2015	780,000	485,000
Total				<u>\$ 780,000</u>	<u>\$ 485,000</u>

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 160,000	\$ 9,713	\$ 169,713
2015	160,000	6,913	166,913
2016	165,000	3,711	168,711
Total	<u>\$ 485,000</u>	<u>\$ 20,337</u>	<u>\$ 505,337</u>

**Cleveland School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2013**

**C. Qualified school construction bonds payable**

As more fully explained in Note 11, debt has been issued by the school district that qualifies as Qualified School Construction bonds.

Debt currently outstanding is as follows:

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

**D. Compensated absences payable**

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

**NOTE 7 Defined Benefit Pension Plan**

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

**Funding Policy.** PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2013 was 14.26% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2013, 2012 and 2011 were \$2,512,268, \$2,178,153 and \$2,031,112, respectively, which equaled the required contributions for each year.

**NOTE 8 Sixteenth Section Lands**

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school

**Cleveland School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2013**

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.

<b>Year Ending June 30</b>	<b>Amount</b>
2014	\$ 164,001
2015	119,601
2016	98,181
2017	67,931
2018	67,931
Thereafter	<u>1,676,729</u>
<b>Total</b>	<b>\$ <u>2,194,374</u></b>

**NOTE 9 Contingencies**

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

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

**NOTE 10 Risk Management**

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

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 90 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation

**Cleveland School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2013**

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

**NOTE 11      Qualified School Construction Bonds**

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs.

The school district makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2013 was \$393,062. In addition, there was \$1,229,954 of unspent bond proceeds at June 30, 2013. The amount in the sinking fund at the end of the 15 year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Series 2010	
Year Ending June 30	Amount
2014	\$ 126,531
2015	126,531
2016	126,531
2017	126,531
2018	126,531
2019-2023	632,655
2024-2025	253,065
Total	\$ 1,518,375

**Cleveland School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2013**

Series 2012	
Year Ending June 30	Amount
2014	\$ 140,000
2015	140,000
2016	140,000
2017	310,000
2018	310,000
2019-2023	1,550,000
2024-2027	1,240,000
Total	\$ 3,830,000

Series 2013	
Year Ending June 30	Amount
2014	\$ 66,000
2015	66,000
2016	66,000
2017	66,000
2018	66,000
2019-2023	335,000
2024-2028	335,000
Total	\$ 1,000,000

Total All Series	
Year Ending June 30	Amount
2014	\$ 332,531
2015	332,531
2016	332,531
2017	502,531
2018	502,531
2019-2023	2,517,655
2024-2028	1,828,065
Total	\$ 6,348,375

**NOTE 12 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

**Cleveland School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2013**

accompanying notes. Management of the Cleveland Public School District evaluated the activity of the district through March 24, 2014, and determined that the following subsequent events have occurred that require disclosure in the notes to the financial statements:

On July 15, 2013, the district entered into a lease agreement with Brocade Communications for equipment upgrades in the amount of \$713,208 with a 5.99% interest rate.

On August 15, 2013, the district entered into a lease agreement with Tiger Leasing for band equipment in the amount of \$44,811 with a 5.99% interest rate.

**CLEVELAND SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION**

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

**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Original to Final	Final to Actual
	Original	Final			
Revenues:					
Local sources	\$ 9,142,526	\$ 9,349,828	\$ 9,349,828	\$ 207,302	\$ -
State sources	14,353,404	14,467,889	14,467,889	114,485	-
Federal sources	222,000	197,215	197,215	(24,785)	-
Total Revenues	<u>23,717,930</u>	<u>24,014,932</u>	<u>24,014,932</u>	<u>297,002</u>	<u>-</u>
Expenditures:					
Instruction	14,016,804	13,806,746	13,806,746	210,058	-
Support services	9,490,503	9,217,473	9,217,473	273,030	-
Noninstructional services	114,127	134,245	134,245	(20,118)	-
Facilities acquisitions & construction	66,500	-	-	66,500	-
Total Expenditures	<u>23,687,934</u>	<u>23,158,464</u>	<u>23,158,464</u>	<u>529,470</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>29,996</u>	<u>856,468</u>	<u>856,468</u>	<u>826,472</u>	<u>-</u>
Other Financing Sources (Uses):					
Indirect cost				-	-
Operating transfers in	2,933,906	180,885	180,885	(2,753,021)	-
Operating transfers out	(3,639,600)	(1,093,331)	(1,093,331)	2,546,269	-
Total Other Financing Sources (Uses)	<u>(705,694)</u>	<u>(912,446)</u>	<u>(912,446)</u>	<u>(206,752)</u>	<u>-</u>
Net Change in Fund Balances	<u>(675,698)</u>	<u>(55,978)</u>	<u>(55,978)</u>	<u>619,720</u>	<u>-</u>
Fund Balances:					
July 1, 2012	<u>4,700,598</u>	<u>4,887,056</u>	<u>4,887,056</u>	<u>186,458</u>	<u>-</u>
June 30, 2013	<u>\$ 4,024,900</u>	<u>\$ 4,831,078</u>	<u>\$ 4,831,078</u>	<u>\$ 806,178</u>	<u>\$ -</u>

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

**CLEVELAND SCHOOL DISTRICT**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**

**Cleveland School District**  
**Notes to the Required Supplementary Information**  
**For the Year Ended June 30, 2013**

Budgetary Comparison Schedules

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

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

**CLEVELAND SCHOOL DISTRICT**

**SUPPLEMENTARY INFORMATION**

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

**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2013**

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
<b><u>U.S. Department of Agriculture</u></b>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
National school breakfast program	10.553	\$ 486,044
National school lunch program	10.555	1,397,169
Total child nutrition cluster		<u>1,883,213</u>
Total U.S. Department of Agriculture Pass-Through Programs		<u>1,883,213</u>
<b><u>Federal Communications Commission</u></b>		
Administered through the Universal Service Administrative Company:		
School Libraries Program of the Universal Service Fund	* 32.XXX	181,383
Total Federal Communications Commission		<u>181,383</u>
<b><u>U.S. Department of Education</u></b>		
Direct program:		
Magnet school assistance	* 84.165	<u>718,578</u>
Passed-through Mississippi Department of Education:		
Special education cluster:		
Special education - grants to states	* 84.027	981,597
Special education - preschool grants	* 84.173	39,742
Total special education cluster		<u>1,021,339</u>
Other programs		
Title I - Grants to local educational agencies	* 84.010	1,320,772
Career and technical education - basic grants to states	84.048	33,828
Education for homeless children and youth	84.196	27,732
Gaining early awareness and readiness for undergraduate programs	84.334	17,782
Rural education	84.358	48,799
Title III-Language instruction for LEP and immigrants	84.365A	1,290
Education jobs fund	84.367	397,848
Total		<u>1,848,051</u>
Total U.S. Department of Education		<u>3,587,968</u>
<b><u>U.S. Department of Energy</u></b>		
Passed-through Mississippi Development Authority:		
State energy program	81.041	48,762
Total U.S. Department of Energy		<u>48,762</u>
<b><u>U.S. Department of Health and Human Services</u></b>		
Passed-through Mississippi Department of Medicaid:		
Children's health insurance program	93.767	7,000
Medical assistance program	93.778	15,832
Total U.S. Department of Health and Human Services		<u>22,832</u>
<b>Total for All Federal Awards</b>		<u>\$ 5,724,158</u>

NOTES TO SCHEDULE

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

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

**Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds**  
**For the Year Ended June 30, 2013**

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 20,809,698	\$ 15,590,768	\$ 880,302	\$ 1,848,633	\$ 2,489,995
Other	10,629,640	2,329,655	377,272	37,727	7,884,986
<b>Total</b>	<b><u>\$ 31,439,338</u></b>	<b><u>\$ 17,920,423</u></b>	<b><u>\$ 1,257,574</u></b>	<b><u>\$ 1,886,360</u></b>	<b><u>\$ 10,374,981</u></b>
Total number of students *	3,434				
Cost per student	<u>\$ 9,155</u>	<u>\$ 5,219</u>	<u>\$ 366</u>	<u>\$ 550</u>	<u>\$ 3,021</u>

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

**Instruction and Other Student Instructional Expenditures** - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type. (all the 1000, 2100, & 2200 functional codes).

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

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

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

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

**CLEVELAND SCHOOL DISTRICT**

**OTHER INFORMATION**

**Cleveland School District**

**Other Information**

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

**General Fund**

**Last Four Years**

**"UNAUDITED"**

	<u>2013</u>	<u>2012 *</u>	<u>2011 *</u>	<u>2010 *</u>
Revenues:				
Local sources	\$ 9,349,828	\$ 8,995,940	\$ 8,599,467	\$ 8,260,919
State sources	14,467,889	14,060,422	13,096,456	12,872,978
Federal sources	197,215	207,162	218,534	150,522
Total Revenues	<u>24,014,932</u>	<u>23,263,524</u>	<u>21,914,457</u>	<u>21,284,419</u>
Expenditures:				
Instruction	13,806,746	13,147,166	12,319,137	12,625,265
Support services	9,217,473	8,483,560	8,352,654	7,960,924
Noninstructional services	134,245	112,247	142,094	78,943
Debt Service:				
Principal			153,411	147,751
Interest		2,470	9,480	15,366
Total Expenditures	<u>23,158,464</u>	<u>21,745,443</u>	<u>20,976,776</u>	<u>20,828,249</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>856,468</u>	<u>1,518,081</u>	<u>937,681</u>	<u>456,170</u>
Other Financing Sources (Uses):				
Insurance recovery			2,484	
Sale of other property		2,428		
Operating transfers in	180,885	434,346	583,981	515,491
Operating transfers out	(1,093,331)	(1,001,030)	(809,125)	(428,905)
Total Other Financing Sources (Uses)	<u>(912,446)</u>	<u>(564,256)</u>	<u>(222,660)</u>	<u>86,586</u>
Net Change in Fund Balances	<u>(55,978)</u>	<u>953,825</u>	<u>715,021</u>	<u>542,756</u>
Fund Balances:				
July 1	<u>4,877,056</u>	<u>3,933,231</u>	<u>3,218,210</u>	<u>2,675,454</u>
June 30	<u>\$ 4,821,078</u>	<u>\$ 4,887,056</u>	<u>\$ 3,933,231</u>	<u>\$ 3,218,210</u>

\* SOURCE - PRIOR YEAR AUDIT REPORTS

**Cleveland School District**

**Other Information**

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

**All Governmental Funds**

**Last Four Years**

**"UNAUDITED"**

	<u>2013</u>	<u>2012 *</u>	<u>2011 *</u>	<u>2010 *</u>
Revenues:				
Local sources	\$ 9,765,071	\$ 9,369,656	\$ 9,046,903	\$ 8,818,592
State sources	15,359,388	14,987,004	14,046,146	14,113,801
Federal sources	5,821,109	7,728,793	8,762,944	8,499,872
Sixteenth section sources	171,561	154,761	173,763	159,509
Total Revenues	<u>31,117,129</u>	<u>32,240,214</u>	<u>32,029,756</u>	<u>31,591,774</u>
Expenditures:				
Instruction	17,023,384	17,440,692	17,653,065	17,603,002
Support services	11,571,879	10,659,155	12,445,748	10,584,735
Noninstructional services	2,149,298	2,137,953	2,084,679	2,069,769
Sixteenth section	43,420	46,946	44,011	26,075
Facilities acquisitions & construction		3,680,957	880,750	
Debt service:				
Principal	470,000	455,000	608,411	635,481
Interest	178,857	92,830	90,105	81,025
Other	2,500	17,223	999	50,849
Total Expenditures	<u>31,439,338</u>	<u>34,530,756</u>	<u>33,807,768</u>	<u>31,050,936</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(322,209)</u>	<u>(2,290,542)</u>	<u>(1,778,012)</u>	<u>540,838</u>
Other Financing Sources (Uses):				
Proceeds of refunding bonds	1,000,000			3,155,000
Bonds and notes issued		3,970,000	2,551,437	
Insurance recovery			2,484	
Sale of other property		2,428		
Operating transfers in	1,274,216	1,435,400	1,393,106	944,396
Other financing sources				8,929
Operating transfers out	(1,274,216)	(1,435,400)	(1,393,106)	(944,396)
Payment to refunded bond escrow agent				(3,099,315)
Total Other Financing Sources (Uses)	<u>1,000,000</u>	<u>3,972,428</u>	<u>2,553,921</u>	<u>64,614</u>
Net Change in Fund Balances	<u>677,791</u>	<u>1,681,886</u>	<u>775,909</u>	<u>605,452</u>
Fund Balances:				
July 1	6,878,561	5,198,154	4,403,213	3,798,735
Increase (Decrease) in reserve for inventory	<u>(7,119)</u>	<u>(1,479)</u>	<u>19,032</u>	<u>(974)</u>
June 30	<u>\$ 7,549,233</u>	<u>\$ 6,878,561</u>	<u>\$ 5,198,154</u>	<u>\$ 4,403,213</u>

\* SOURCE - PRIOR YEAR AUDIT REPORTS

CLEVELAND SCHOOL DISTRICT

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



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

MEMBERS OF  
MISSISSIPPI SOCIETY OF CPA'S  
AMERICAN INSTITUTE OF CPA'S

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

Superintendent and School Board  
Cleveland School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cleveland School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Cleveland School District's basic financial statements, and have issued our report thereon dated March 24, 2014.

**Internal Control Over Financial Reporting**

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

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

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

## Compliance and Other Matters

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

## Purpose of this Report

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

*Bridgers & Goodman, PLLC*  
Bridgers & Goodman, PLLC  
Certified Public Accountants  
Vicksburg, Mississippi  
March 24, 2014



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

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

Superintendent and School Board  
Cleveland School District

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

We have audited Cleveland School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Cleveland School District's major federal programs for the year ended June 30, 2013. Cleveland School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Cleveland School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cleveland School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

## Opinion on Each Major Federal Program

In our opinion, Cleveland School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

## Report on Internal Control Over Compliance

Management of the Cleveland School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Cleveland School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Cleveland School District's internal control over compliance.

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

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

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

*Bridgers & Goodman, PLLC*

Bridgers & Goodman, PLLC  
Certified Public Accountants  
Vicksburg, Mississippi  
March 24, 2014

**CLEVELAND SCHOOL DISTRICT**

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



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

MEMBERS OF  
MISSISSIPPI SOCIETY OF CPA'S  
AMERICAN INSTITUTE OF CPA'S

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

Superintendent and School Board  
Cleveland School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cleveland School District as of and for the year ended June 30, 2013, which collectively comprise Cleveland School District's basic financial statements and have issued our report thereon dated March 24, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district did not report any classroom supply funds carried over from previous years.

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

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

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

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

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

*Bridgers & Goodman, PLLC*

Bridgers & Goodman, PLLC

Certified Public Accountants

Vicksburg, Mississippi

March 24, 2014

**CLEVELAND SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Cleveland School District  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2013**

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

Financial Statements:

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

Federal Awards:

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

7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
	Special Education Cluster:
84.027	Special Education – grants to states
84.173	Special Education – preschool grants
	Other programs:
32.XXX	School libraries program of universal service fund
84.010	Title I – grants to local educational agencies
84.165	Magnet school assistance

8. Dollar threshold used to distinguish between type A and type B programs: \$300,000

9. Auditee qualified as low-risk auditee? (Yes/No) No

**Section II: Financial Statement Findings**

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

**Section III: Federal Award Findings and Questioned Costs**

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