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CLARKSDALE MUNICIPAL SCHOOL DISTRICT
Audited Financial Statements
For the Year Ended June 30, 2013

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

TABLE OF CONTENTS

INDEPENDENT AUDITOR’S REPORT..... 3

MANAGEMENT’S DISCUSSION AND ANALYSIS..... 6

BASIC FINANCIAL STATEMENTS..... 15

 Government-wide Financial Statements

 Exhibit A – Statement of Net Position..... 16

 Exhibit B – Statement of Activities..... 17

 Governmental Funds Financial Statements

 Exhibit C – Balance Sheet..... 18

 Exhibit C-1 – Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position..... 19

 Exhibit D – Statement of Revenues, Expenditures and Changes in Fund Balances..... 20

 Exhibit D-1 – Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities..... 21

 Fiduciary Funds Financial Statements

 Exhibit E – Statement of Fiduciary Net Position..... 22

 Exhibit F – Statement of Changes in Fiduciary Net Position..... 23

 Notes to the Financial Statements..... 24

REQUIRED SUPPLEMENTARY INFORMATION..... 40

 Budgetary Comparison Schedule – General Fund..... 41

 Budgetary Comparison Schedule – Title I Fund..... 42

 Budgetary Comparison Schedule – School Improvement Grant Fund..... 43

 Notes to the Required Supplemental Information..... 44

SUPPLEMENTARY INFORMATION..... 45

 Schedule of Expenditures of Federal Awards..... 46

 Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds..... 47

OTHER INFORMATION..... 48

 Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund, Last Four Years..... 49

 Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Funds, Last Four Years..... 50

REPORTS ON INTERNAL CONTROL AND COMPLIANCE..... 51

 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* 52

 Independent Auditor’s Report on Compliance For Each Major Federal Program and Report on Internal Control over Compliance..... 54

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS..... 56

SCHEDULE OF FINDINGS AND QUESTIONED COSTS..... 59

SCHEDULE OF PRIOR AUDIT FINDINGS..... 62

INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Clarksdale Municipal School District
Clarksdale, Mississippi

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 Clarksdale Municipal School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Clarksdale Municipal 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 Clarksdale Municipal 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 and budgetary comparison information on pages 6-14 and 40-44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 January 29, 2014, on our consideration of the Clarksdale Municipal School District's internal control over financial

reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Clarksdale Municipal School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Cunningham CPAs".

Cunningham CPAs, PLLC

Belzoni, Mississippi

January 29, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2013

The following discussion and analysis of Clarksdale Municipal School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 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 decreased \$885,220, including a prior period adjustment of \$127,074, which represents a 6% decrease from fiscal year 2012. Total net position for 2012 increased \$1,938,651, including a prior period adjustment of \$44,934, which represents a 17% increase from fiscal year 2011.
- General revenues amounted to \$20,051,678 and \$21,622,144, or 68% and 66% of all revenues for fiscal years 2013 and 2012, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$9,336,851, or 32% of total revenues for 2013, and \$11,130,024, or 34% of total revenues for 2012.
- The District had \$30,400,823 and \$30,858,451 in expenses for fiscal years 2013 and 2012; only \$9,336,851 for 2013 and \$11,130,024 for 2012 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$20,051,678 for 2013 were not adequate to provide for these programs and \$21,622,144 for 2012 were adequate to provide for these programs.
- Among major funds, the General Fund had \$18,419,963 in revenues and \$19,826,829 in expenditures for 2013, and \$19,567,480 in revenues and \$19,593,342 in expenditures in 2012. The General Fund's fund balance decreased by \$1,585,267 from 2012 to 2013, and increased by \$146,076 from 2011 to 2012.
- Capital assets, net of accumulated depreciation, decreased by \$502,050, including a prior period adjustment of \$127,074, for 2013 and increased by \$1,255,691 for 2012. The decrease for 2013 was due to current additions coupled with the increase in accumulated depreciation.
- Long-term debt decreased by \$1,023,455 for 2013 and decreased by \$731,400 for 2012. This decrease for 2013 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$18,513 for 2013 and decreased by \$33,680 for 2012.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

The Statement of Net Position presents information on all the District's nonfiduciary assets and liabilities, with the differences between the two reported as "net position." Over time, increases or decreases in the

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2013

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, the reader may gain a better understanding of the long-term impact of the District's near-term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Position, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

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

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

Reconciliation of Government-wide and Fund Financial Statements

The financial statements include two schedules that reconcile the amounts reported on the governmental funds financial statements (modified accrual basis of accounting) with government-wide financial

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

statements (accrual basis of accounting). The following summarizes the major differences between the two statements:

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$12,746,679 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.

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

Table 1 presents a summary of the District's net position at June 30, 2013 and June 30, 2012.

Table 1
Condensed Statement of Net Position

	June 30, 2013	June 30, 2012	Percentage Change
Current assets	\$ 4,270,209	\$ 6,984,003	-38.86 %
Restricted assets	1,971,160	591,477	233.26 %
Capital assets, net	15,201,671	15,703,721	-3.20 %
Total assets	21,443,040	23,279,201	-7.89 %
Current liabilities	263,887	172,860	52.66 %
Long-term debt outstanding	8,432,474	9,474,442	-11.00 %
Total liabilities	8,696,361	9,647,302	-9.86 %
Net position:			
Net investment in capital assets	7,041,526	6,520,121	8.00 %
Restricted	2,668,053	2,476,832	7.72 %
Unrestricted	3,037,100	4,634,946	-34.47 %
Total net position	\$ 12,746,679	\$ 13,631,899	-6.49 %

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 \$502,050.
- The principal retirement of \$1,023,455 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2013 and June 30, 2012 were \$29,388,529 and \$32,752,168, respectively. The total cost of all programs and services was \$30,400,823 for 2013 and \$30,858,451 for 2012.

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

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

	<u>Year Ended</u> <u>June 30, 2013</u>	<u>Year Ended</u> <u>June 30, 2012</u>	<u>Percentage</u> <u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 183,487	\$ 294,163	(37.62) %
Operating grants and contributions	9,053,272	10,732,284	(15.64) %
Capital grants and contributions	100,092	103,577	(3.36) %
General revenues:			
Property taxes	4,245,907	4,422,479	(3.99) %
Grants and contributions not restricted	15,649,643	16,723,434	(6.42) %
Investment earnings	7,244	124,453	(94.18) %
Sixteenth section sources	87,989	42,079	109.10 %
Other	60,895	309,699	(80.34) %
Total revenues	<u>29,388,529</u>	<u>32,752,168</u>	(10.27) %
Expenses:			
Instruction	15,097,782	15,329,331	(1.51) %
Support services	12,592,487	12,489,102	0.83 %
Non-instructional	2,441,263	2,475,521	(1.38) %
Interest on long-term liabilities and other debt services costs	269,291	564,497	(52.30) %
Total expenses	<u>30,400,823</u>	<u>30,858,451</u>	(1.48) %
Increase (Decrease) in net position	<u>(1,012,294)</u>	<u>1,893,717</u>	(153.46) %
Net Position, July 1, as previously reported	13,631,899	11,693,248	16.58 %
Prior Period Adjustment	<u>127,074</u>	<u>44,934</u>	182.80 %
Net Position, July 1, as restated	<u>13,758,973</u>	<u>11,738,182</u>	17.22 %
Net Position, June 30	<u>\$ 12,746,679</u>	<u>\$ 13,631,899</u>	(6.49) %

Governmental activities

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

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2013	2012	
Instruction	\$ 15,097,782	\$ 15,329,331	(1.51) %
Support services	12,592,487	12,489,102	0.83 %
Non-instructional	2,441,263	2,475,521	(1.38) %
Interest on long-term liabilities and other debt service costs	269,291	564,497	(52.30) %
Total expenses	\$ 30,400,823	\$ 30,858,451	(1.48) %

	Net (Expense) Revenue		Percentage Change
	2013	2012	
Instruction	\$ (12,502,335)	\$ (11,211,035)	11.52 %
Support services	(8,177,679)	(7,889,894)	3.65 %
Non-instructional	(114,667)	(63,001)	82.01 %
Interest on long-term liabilities and other debt service costs	(269,291)	(564,497)	(52.30) %
Total net (expense) revenue	\$ (21,063,972)	\$ (19,728,427)	6.77 %

- Net cost of governmental activities (\$21,063,972 for 2013 and \$19,728,427 for 2012) was financed by general revenue, which is primarily made up of property taxes (\$4,245,907 for 2013 and \$4,422,479 for 2012) and state and federal revenues (\$15,649,643 for 2013 and \$16,723,434 for 2012). In addition, there was \$87,989 and \$42,079 in Sixteenth Section sources for 2013 and 2012, respectively.
- Investment earnings amounted to \$7,244 for 2013 and \$124,453 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 \$6,049,727, a decrease of \$1,421,842, which includes a decrease in inventory of \$4,071. \$3,214,238 or 53% 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 \$2,835,489 or 47% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

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 \$1,585,267. The fund balance of Other Governmental Funds showed a decrease in the amount of \$59,269, which includes a decrease in inventory of \$4,071, due primarily to normal operations. The increase (decrease) in the fund balances for the other major funds were as follows:

	<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I Fund		No increase or decrease
School Improvement Grant Fund		No increase or decrease
Bond Retirement Fund	\$	1,274
QSCB Sinking Fund	\$	221,420

BUDGETARY HIGHLIGHTS

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

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and major special revenue funds 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 \$28,748,721, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$17,336 from 2012. Total accumulated depreciation as of June 30, 2013, was \$13,547,050, and total depreciation expense for the year was \$656,098, resulting in total net capital assets of \$15,201,671.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Land	\$ 203,061	\$ 203,061	0.00 %
Buildings	10,002,062	10,214,723	(2.08) %
Building improvements	2,950,505	3,109,399	(5.11) %
Improvements other than buildings	935,876	976,566	(4.17) %
Mobile equipment	457,348	538,451	(15.06) %
Furniture and equipment	433,307	432,465	0.19 %
Leased property under capital leases	219,512	229,056	(4.17) %
Total	<u>\$ 15,201,671</u>	<u>\$ 15,703,721</u>	(3.20) %

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

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

Debt Administration. At June 30, 2013, the District had \$8,432,474 in outstanding long-term debt, of which \$1,069,486 is due within one year. The liability for compensated absences decreased \$18,513 from the prior year.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 2,270,000	\$ 2,785,000	(18.49) %
Limited obligation bonds payable	2,670,000	3,160,000	(15.51) %
Qualified school construction bonds payable	3,000,000	3,000,000	0.00 %
Obligations under energy efficiency lease payable	220,145	238,600	(7.73) %
Compensated absences payable	272,329	290,842	(6.37) %
Total	<u>\$ 8,432,474</u>	<u>\$ 9,474,442</u>	(11.00) %

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

CURRENT ISSUES

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

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Clarksdale Municipal School District, P.O. Box 1088, Clarksdale, MS 38614.

FINANCIAL STATEMENTS

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

Statement of Net Position
June 30, 2013

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 2,753,756
Due from other governments	1,397,209
Inventories	24,053
Prepaid items	95,191
Restricted assets	1,971,160
Capital assets, non-depreciable:	
Land	203,061
Capital assets, net of accumulated depreciation:	
Buildings	10,002,062
Building improvements	2,950,505
Improvements other than buildings	935,876
Mobile equipment	457,348
Furniture and equipment	433,307
Leased property under capital leases	219,512
Total Assets	21,443,040
Liabilities	
Accounts payable and accrued liabilities	151,200
Unearned income	40,442
Interest payable on long-term liabilities	72,245
Long-term liabilities, due within one year:	
Capital related liabilities	1,069,486
Long-term liabilities, due beyond one year:	
Capital related liabilities	7,090,659
Non-capital related liabilities	272,329
Total Liabilities	8,696,361
Net Position	
Net investment in capital assets	7,041,526
Restricted for:	
Expendable:	
School-based activities	381,372
Debt service	2,223,244
Unemployment benefits	63,437
Unrestricted	3,037,100
Total Net Position	\$ 12,746,679

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

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

Statement of Activities

Exhibit B

For the Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental Activities:						
Instruction	\$ 15,097,782	\$ 80,033	\$ 2,415,322	\$ 100,092		\$ (12,502,335)
Support services	12,592,487	-	4,414,808	-		(8,177,679)
Non-instructional	2,441,263	103,454	2,223,142	-		(114,667)
Interest on long-term liabilities and other debt service costs	269,291	-	-	-		(269,291)
Total Governmental Activities	\$ 30,400,823	\$ 183,487	\$ 9,053,272	\$ 100,092		\$ (21,063,972)
General Revenues:						
Taxes:						
						3,341,403
						904,504
Unrestricted grants and contributions:						
						15,589,393
						60,250
						7,244
						87,989
						60,895
						<u>20,051,678</u>
						<u>(1,012,294)</u>
						13,631,899
						127,074
						<u>13,758,973</u>
						<u>\$ 12,746,679</u>

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

CLARKSDALE MUNICIPAL SCHOOL DISTRICT
Governmental Funds

Exhibit C

Balance Sheet
June 30, 2013

	Major Funds							Total Governmental Funds
	General Fund	Title I Fund	School Improvement Grant Fund	Bond Retirement Fund	QSCB Sinking Fund	Other Governmental Funds		
Assets								
Cash and cash equivalents	\$ 2,332,900	\$ -	\$ -	\$ 802,178	\$ -	\$ -	\$ 769,894	\$ 3,904,972
Cash with fiscal agents	-	-	-	-	-	-	109,418	109,418
Investments	-	-	-	-	710,526	-	-	710,526
Due from other governments	207,536	499,668	148,287	8,249	-	-	533,469	1,397,209
Due from other funds	832,475	1,000	-	-	-	-	1,000	834,475
Prepaid items	95,191	-	-	-	-	-	-	95,191
Inventories	-	-	-	-	-	-	24,053	24,053
Total assets	\$ 3,468,102	\$ 500,668	\$ 148,287	\$ 810,427	\$ 710,526	\$ -	\$ 1,437,834	\$ 7,075,844
Liabilities and Fund Balances								
Liabilities:								
Accounts payable and accrued liabilities	\$ 127,581	\$ 14,331	\$ 1,413	\$ -	\$ -	\$ -	\$ 7,875	\$ 151,200
Unearned income	-	-	-	-	-	-	40,442	40,442
Due to other funds	-	486,337	146,874	-	-	-	201,264	834,475
Total Liabilities	127,581	500,668	148,287	-	-	-	249,581	1,026,117
Fund Balances:								
Nonspendable:								
Inventory	-	-	-	-	-	-	24,053	24,053
Prepaid items	95,191	-	-	-	-	-	-	95,191
Restricted:								
Debt service	-	-	-	810,427	710,526	-	774,536	2,295,489
Grant activities	-	-	-	-	-	-	326,227	326,227
Unemployment benefits	-	-	-	-	-	-	63,437	63,437
Assigned:								
School based activities	31,092	-	-	-	-	-	-	31,092
Unassigned	3,214,238	-	-	-	-	-	-	3,214,238
Total Fund Balances	3,340,521	-	-	810,427	710,526	-	1,188,253	6,049,727
Total Liabilities and Fund Balances	\$ 3,468,102	\$ 500,668	\$ 148,287	\$ 810,427	\$ 710,526	\$ -	\$ 1,437,834	\$ 7,075,844

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

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

Governmental Funds

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

Exhibit C-1

Total fund balances for governmental funds \$ 6,049,727

Amounts reported for governmental activities in the statement of net position are different because:

1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:

Land	\$ 203,061	
Buildings	20,575,385	
Building improvements	3,972,348	
Improvements other than buildings	1,017,256	
Mobile equipment	1,513,080	
Furniture and equipment	1,228,991	
Leased property under capital leases	238,600	
Accumulated depreciation	<u>(13,547,050)</u>	15,201,671

2. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:

General obligation bonds	(2,270,000)	
Limited obligation bonds	(2,670,000)	
Qualified school construction bonds	(3,000,000)	
Obligations under energy efficiency leases	(220,145)	
Compensated absences payable	(272,329)	
Accrued interest payable	<u>(72,245)</u>	(8,504,719)

Net position of governmental activities \$ 12,746,679

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

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

Governmental Funds

Exhibit D

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

	Major Funds							Total Governmental Funds
	General Fund	Title I Fund	School Improvement Grant Fund	Bond Retirement Fund	QSCB Sinking Fund	Other Governmental Funds		
Revenues:								
Local sources	\$ 3,491,024	\$ -	\$ -	\$ 611,085	\$ -	\$ 404,083	\$ 4,506,192	
State sources	14,802,470	-	-	-	-	1,323,386	16,125,856	
Federal sources	126,469	2,953,731	1,110,855	-	-	4,486,095	8,677,150	
Sixteenth section sources	-	-	-	-	-	87,989	87,989	
Total Revenues	18,419,963	2,953,731	1,110,855	611,085	-	6,301,553	29,397,187	
Expenditures:								
Instruction	11,875,147	758,755	503,478	-	-	1,553,473	14,690,853	
Support services	7,949,318	1,828,882	543,599	-	-	2,132,616	12,454,415	
Noninstructional services	2,364	152,100	46,390	-	-	2,170,728	2,371,582	
Debt service:								
Principal	-	-	-	515,000	-	508,455	1,023,455	
Interest	-	-	-	92,384	-	168,234	260,618	
Other	-	-	-	2,427	-	2,950	5,377	
Total Expenditures	19,826,829	2,739,737	1,093,467	609,811	-	6,536,456	30,806,300	
Excess (Deficiency) of Revenues over (under) Expenditures	(1,406,866)	213,994	17,388	1,274	-	(234,903)	(1,409,113)	
Other Financing Sources (Uses):								
Insurance loss recoveries	14,451	-	-	-	-	-	14,451	
Transfer from QSCB debt service agent	-	-	-	-	244,529	-	244,529	
Payment to QSCB escrow agent	-	-	-	-	-	(244,529)	(244,529)	
Operating transfers in	233,032	-	-	-	-	670,174	903,206	
Operating transfers out	(425,884)	(213,994)	(17,388)	-	-	(245,940)	(903,206)	
Other financing uses	-	-	-	-	(23,109)	-	(23,109)	
Total Other Financing Sources (Uses)	(178,401)	(213,994)	(17,388)	-	221,420	179,705	(8,658)	
Net Change in Fund Balances	(1,585,267)	-	-	1,274	221,420	(55,198)	(1,417,771)	
Fund Balances:								
July 1, 2012	4,925,788	-	-	809,153	489,106	1,247,522	7,471,569	
Decrease in reserve for inventory	-	-	-	-	-	(4,071)	(4,071)	
June 30, 2013	\$ 3,340,521	\$ -	\$ -	\$ 810,427	\$ 710,526	\$ 1,188,253	\$ 6,049,727	

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

CLARKSDALE MUNICIPAL 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

Net change in fund balances - total governmental funds \$ (1,417,771)

Amounts reported for governmental activities in the statement of activities are different because:

1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 43,327	
Depreciation expense	<u>(656,098)</u>	(612,771)

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold. (16,353)

3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

Payments of debt principal	1,023,455	
Accrued interest payable	<u>(3,296)</u>	1,020,159

4. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:

Change in compensated absences	18,513	
Change in inventory reserve	<u>(4,071)</u>	14,442

Change in net position of governmental activities \$ (1,012,294)

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

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Net Position
June 30, 2013

Exhibit E

	<u>Private- Purpose Trust Funds</u>	<u>Agency Funds</u>
Assets		
Cash and cash equivalents	\$ 12,962	\$ 1,102,864
Total Assets	<u>12,962</u>	<u>1,102,864</u>
Liabilities		
Accounts payable and accrued liabilities	\$ -	\$ 1,093,591
Due to student clubs	-	9,273
Total Liabilities	<u>-</u>	<u>1,102,864</u>
Net Position		
Reserved for endowments	12,962	
Total Net Position	<u>\$ 12,962</u>	

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

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

Fiduciary Funds

**Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2013**

Exhibit F

	Private-Purpose Trust Funds
Additions	
Interest income	\$ 18
Total Additions	<u>18</u>
 Change in Net Assets	 <u>18</u>
 Net Position	
July 1, 2012	<u>12,944</u>
June 30, 2013	<u>\$ 12,962</u>

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

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For 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. Basis of Presentation

In July 2011, the GASB issued GASBS No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is effective for periods beginning after December 15, 2011. The objective of this Statement is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures.

In April 2012, the GASB issued GASBS No. 65, *Items Previously Reported as Assets and Liabilities*, which is effective for periods beginning after December 15, 2012, with earlier implementation encouraged. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

B. Financial Reporting Entity

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

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

C. Government-wide and Fund Financial Statements

Government-wide Financial Statements – The Statement of Net 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.

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2013

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.
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.

Title I Fund - This is the school district's federal reimbursable fund that serves to fund remedial mathematics and reading services to low-income, program eligible students.

School Improvement Grant Fund - This fund uses grants received to help with school improvements.

Bond Retirement Fund - This fund accounts for the debt service of the general obligations bonds payable.

QSCB Sinking Fund - This fund accounts the sinking fund activities of the qualified school construction bonds.

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

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

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

Additionally, the school district reports the following fund types:

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2013

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

Private-purpose Trust Funds - Private-purpose trust funds are used to report all trust arrangements, other than those properly reported elsewhere, in which the principal and income benefit individuals, private organizations or other governments.

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

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

In the government-wide Statement of Net 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 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.

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2013

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

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

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.

E. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2013

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

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

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

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2013

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

The following schedule details the capitalization thresholds:

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

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

7. Compensated Absences

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. Some employees are allowed personal 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 a long-term liability in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, governmental funds report the liability for compensated absences from expendable available financial resources only if the payable has matured, for example, an employee retires.

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

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

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

9. Fund Balances

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

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

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2013

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

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

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

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

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

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

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year-end of not less than 7% of revenues. If the unassigned fund balance at fiscal year-end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

Note 2 – Cash and Cash Equivalents, Cash with Fiscal Agents and Investments

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

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school district's 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

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2013

covered by the Federal Deposit Insurance Corporation.

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$3,904,972 and \$1,115,826, respectively.

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.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$109,418.

Investments

As of June 30, 2013, the district had the following investments:

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
Trustmark - Construction Bonds			
Common Trust Fund 2012-A	Unrated	Less than 1 year	\$ <u>710,526</u>
Total			\$ <u><u>710,526</u></u>

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2013

securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2013, the district did not have any investments to which this would apply.

Concentration of Credit Risk. Disclosure 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. As of June 30, 2013, the district had the following investments:

<u>Issuer</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
Trustmark - Construction Bonds Common Trust Fund 2012-A	\$ 710,526	100%
Total	<u>\$ 710,526</u>	<u>100%</u>

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	Title I fund	\$ 486,337
	School improvement grant fund	146,874
	Other governmental funds	199,264
		1,000
Title I fund	Other governmental funds	1,000
Other governmental funds	Other governmental funds	1,000
Total		<u>\$ 834,475</u>

The purpose of the inter-fund loans was to cover federal and state funds not received prior to year-end and amounts due from and amounts due to agency funds. Payments are made of amounts due between funds within three months.

B. Inter-fund Transfers

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General fund	Other governmental funds	\$ 425,884
	Title I fund	45,000
	Other governmental funds	168,994
School improvement grant fund	General fund	17,388
Other governmental funds	General fund	170,644
	Other governmental funds	75,296
Total		<u>\$ 903,206</u>

The primary purpose of the interfund transfers out of the general fund and into the other governmental funds was to finance basic operations of the district that are not directly funded.

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2013

The primary reason for the transfer out of the other governmental funds is the indirect cost allocation from the general fund.

Note 4 – Restricted Assets

The restricted assets represent the cash with fiscal agents balance, totaling \$109,418, of the MAEP limited obligation bonds funds.

In addition, the restricted assets represent the investments balance, totaling \$710,526, of the QSCB sinking fund.

In addition, the restricted assets represent the cash balance, totaling \$1,151,216, of the other debt service funds, whose revenues are derived from ad valorem receipts.

Note 5 – Capital Assets

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

	Balance 7/1/2012	Increases	Decreases	Adjustments	Balance 6/30/2013
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 203,061	\$ -	\$ -	\$ -	203,061
Total non-depreciable capital assets	203,061	-	-	-	203,061
<u>Depreciable capital assets:</u>					
Buildings	20,575,385	-	-	-	20,575,385
Building improvements	3,972,348	-	-	-	3,972,348
Improvements other than buildings	1,017,256	-	-	-	1,017,256
Mobile equipment	1,631,518	9,500	(127,938)	-	1,513,080
Furniture and equipment	1,093,217	33,827	(25,127)	127,074	1,228,991
Leased property under capital leases	238,600	-	-	-	238,600
Total depreciable capital assets	28,528,324	43,327	(153,065)	127,074	28,545,660
<u>Less accumulated depreciation for:</u>					
Buildings	10,360,662	212,661	-	-	10,573,323
Building improvements	862,949	158,894	-	-	1,021,843
Improvements other than buildings	40,690	40,690	-	-	81,380
Mobile equipment	1,093,067	77,809	(115,144)	-	1,055,732
Furniture and equipment	660,752	156,500	(21,568)	-	795,684
Leased property under capital leases	9,544	9,544	-	-	19,088
Total accumulated depreciation	13,027,664	656,098	(136,712)	-	13,547,050
Total depreciable capital assets, net	15,500,660	(612,771)	(16,353)	127,074	14,998,610
Governmental activities capital assets, net	\$ 15,703,721	\$ (612,771)	\$ (16,353)	\$ 127,074	\$ 15,201,671

Adjustments were made to correctly present capital assets at year-end.

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2013

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Governmental activities:	
Instruction	\$ 459,269
Support services	131,219
Non-instructional	65,610
Total depreciation expense - Governmental activities	<u>\$ 656,098</u>

Note 6 – Long-term Liabilities

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

	Balance 7/1/2012	Additions	Reductions	Balance 6/30/2013	Amounts due within one year
A. General obligation bonds payable	\$ 2,785,000	\$ -	(515,000)	\$ 2,270,000	\$ 535,000
B. Limited obligation bonds payable	3,160,000	-	(490,000)	2,670,000	515,000
C. Qualified school construction bonds payable	3,000,000	-	-	3,000,000	-
D. Obligations under energy efficiency leases	238,600	-	(18,455)	220,145	19,486
E. Compensated absences payable	290,842	-	(18,513)	272,329	-
Total	<u>\$ 9,474,442</u>	<u>\$ -</u>	<u>(1,041,968)</u>	<u>\$ 8,432,474</u>	<u>\$ 1,069,486</u>

A. General obligations bonds payable.

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
General obligation refunding bonds, Series 2005	3.2-3.8%	5/1/2005	11/1/2016	<u>\$ 5,275,000</u>	<u>\$ 2,270,000</u>
Total				<u>\$ 5,275,000</u>	<u>\$ 2,270,000</u>

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2013

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 535,000	\$ 73,807	\$ 608,807
2015	555,000	54,250	609,250
2016	580,000	44,260	624,260
2017	600,000	22,800	622,800
Total	\$ 2,270,000	\$ 195,117	\$ 2,465,117

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

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2013, the amount of outstanding bonded indebtedness was equal to 4% of property assessments as of October 1, 2012.

B. 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:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State Aid Capital Improvement refunding bonds, Series 2008	4.0%	10/10/2007	3/1/2018	\$ 4,970,000	\$ 2,670,000
Total				\$ 4,970,000	\$ 2,670,000

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 515,000	\$ 106,800	\$ 621,800
2015	530,000	86,200	616,200
2016	555,000	65,000	620,000
2017	575,000	42,800	617,800
2018	495,000	19,800	514,800
Total	\$ 2,670,000	\$ 320,600	\$ 2,990,600

This debt will be retired from the MAEP Bond Fund.

The state aid capital improvement bonds are secured by an irrevocable pledge of certain

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2013

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.

C. Qualified school construction bonds payable

As more fully explained in Note 10, 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
Quality school construction bonds	0.95%	11/6/2009	11/6/2025	\$ 3,000,000	\$ 3,000,000
Total				<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>

D. Obligations under energy efficiency lease payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Lighting Project	5.45%	12/26/2011	12/26/2021	\$ 238,600	\$ 220,145
Total				<u>\$ 238,600</u>	<u>\$ 220,145</u>

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 19,486	\$ 12,303	\$ 31,789
2015	20,575	11,214	31,789
2016	21,725	10,064	31,789
2017	22,939	8,850	31,789
2018	24,221	7,568	31,789
2019-2022	111,199	15,957	127,156
Total	<u>\$ 220,145</u>	<u>\$ 65,956</u>	<u>\$ 286,101</u>

This debt will be retired from the District Maintenance Fund.

An energy efficiency lease agreement dated December 2, 2011, was executed by and between the district, the lessee, and Musco Finance, LLC, the lessor.

The agreement authorized the borrowing of \$238,600 for the purchase of energy efficiency equipment, machinery, supplies, building modifications and other energy saving items. Payments of the lease shall be made from the district maintenance fund and not exceed fifteen (15) years.

The district entered into the energy efficiency lease agreement under the authority of Section 31-7-14, Miss. Code Ann. (1972).

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2013

Upon written notice to the lessor, the lessee has the option of repaying the total amount due as set forth by the agreement.

E. Compensated absences payable

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

Note 7 – 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 as of 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 \$2,306,289, \$2,064,237 and \$1,914,781, respectively, which equaled the required contributions for each year.

Note 8 – 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 9 – Risk Management

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

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 90 school districts and covers risks of loss arising

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2013

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

Note 10 – Qualified School Construction Bonds

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

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

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2013 was \$710,526. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2014	\$ 244,546
2015	244,546
2016	244,546
2017	196,500
2018	148,500
2019 – 2023	742,500
2024 – 2026	445,500
Total	<u>\$ 2,266,638</u>

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2013

Note 11 - Prior Period Adjustments

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanations</u>	<u>Amount</u>
1. Adjustments were made to properly present capital assets at year end	\$ 127,074
Total	<u>\$ 127,074</u>

Note 12 - Insurance loss recoveries

The Clarksdale Municipal School District received \$14,451 in insurance loss recoveries related to storm damage during the 2012-2013 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as other revenue.

Note 13 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Clarksdale Municipal School District evaluated the activity of the district through January 29, 2014, (the date the financial statements were available to be issued), and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

Required Supplementary Information

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 3,701,707	\$ 3,491,023	\$ 3,491,024	\$ (210,684)	\$ 1
State sources	14,443,591	14,802,471	14,802,470	358,880	(1)
Federal sources	375,000	88,665	126,469	(286,335)	37,804
Total Revenues	18,520,298	18,382,159	18,419,963	(138,139)	37,804
Expenditures:					
Instruction	11,813,103	11,875,146	11,875,147	(62,043)	(1)
Support services	8,095,476	7,911,514	7,949,318	183,962	(37,804)
Noninstructional services	1,350	2,364	2,364	(1,014)	-
Total Expenditures	19,909,929	19,789,024	19,826,829	120,905	(37,805)
Excess (Deficiency) of Revenues over (under) Expenditures	(1,389,631)	(1,406,865)	(1,406,866)	(17,234)	(1)
Other Financing Sources (Uses):					
Insurance loss recoveries	-	14,451	14,451	14,451	-
Operating transfers in	2,573,806	2,669,989	233,032	96,183	(2,436,957)
Operating transfers out	(2,875,547)	(2,862,841)	(425,884)	12,706	2,436,957
Total Other Financing Sources (Uses)	(301,741)	(178,401)	(178,401)	123,340	-
Net Change in Fund Balances	(1,691,372)	(1,585,266)	(1,585,267)	106,106	(1)
Fund Balances:					
July 1, 2012	4,925,788	4,925,788	4,925,788	-	-
June 30, 2013	\$ 3,234,416	\$ 3,340,522	\$ 3,340,521	\$ 106,106	\$ (1)

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

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

Title I Fund

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 2,759,939	\$ 2,953,731	\$ 2,953,731	\$ 193,792	\$ -
Total Revenues	2,759,939	2,953,731	2,953,731	193,792	-
Expenditures:					
Instruction	658,623	758,756	758,755	(100,133)	1
Support services	1,786,603	1,828,880	1,828,882	(42,277)	(2)
Noninstructional services	138,530	152,101	152,100	(13,571)	1
Total Expenditures	2,583,756	2,739,737	2,739,737	(155,981)	-
Excess (Deficiency) of Revenues over (under) Expenditures	176,183	213,994	213,994	37,811	-
Other Financing Sources (Uses):					
Operating transfers out	(176,183)	(213,994)	(213,994)	(37,811)	-
Total Other Financing Sources (Uses)	(176,183)	(213,994)	(213,994)	(37,811)	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2012	-	-	-	-	-
June 30, 2013	\$ -	\$ -	\$ -	\$ -	\$ -

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

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

Required Supplementary Information

**Budgetary Comparison Schedule
School Improvement Grant Fund
For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 1,250,000	\$ 1,110,855	\$ 1,110,855	\$ (139,145)	\$ -
Total Revenues	1,250,000	1,110,855	1,110,855	(139,145)	-
Expenditures:					
Instruction	490,248	503,478	503,478	(13,230)	-
Support services	694,582	543,599	543,599	150,983	-
Noninstructional services	47,233	46,390	46,390	843	-
Total Expenditures	1,232,063	1,093,467	1,093,467	138,596	-
Excess (Deficiency) of Revenues over (under) Expenditures	17,937	17,388	17,388	(549)	-
Other Financing Sources (Uses):					
Operating transfers out	(17,937)	(17,388)	(17,388)	549	-
Total Other Financing Sources (Uses)	(17,937)	(17,388)	(17,388)	549	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2012	-	-	-	-	-
June 30, 2013	\$ -	\$ -	\$ -	\$ -	\$ -

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

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

Notes to the Required Supplementary Information
For the Year Ended June 30, 2013

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

SUPPLEMENTARY INFORMATION

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

Supplementary Information

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

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 473,628
National school lunch program	10.555	1,541,378
Summer food service program for children	10.559	16,212
Total child nutrition cluster		<u>2,031,218</u>
Fresh fruits and vegetables program	10.582	111,993
Total passed-through Mississippi Department of Education		<u>2,143,211</u>
Total U.S. Department of Agriculture		<u>2,143,211</u>
<u>U.S. Department of Defense</u>		
Direct Program:		
Reserve officers' training corps	12.xxx	66,219
Total U.S. Department of Defense		<u>66,219</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	53,250
Total Federal Communications Commission		<u>53,250</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	3,027,585
Career and technical education - basic grants to states	84.048	44,877
Rural education	84.358	85,900
Improving teacher quality-State Grants	84.367	278,973
Subtotal		<u>3,437,335</u>
School improvement cluster:		
School improvement grants	84.377	1,110,855
ARRA - school improvement grants, Recovery Act	84.388	1,143,947
Total school improvement cluster		<u>2,254,802</u>
Special education cluster:		
Special education - grants to states	84.027	702,018
Special education - preschool grants	84.173	13,315
Total special education cluster		<u>715,333</u>
Total passed-through Mississippi Department of Education		<u>6,407,470</u>
Total U.S. Department of Education		<u>6,407,470</u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	7,000
Total passed-through Mississippi Department of Education		<u>7,000</u>
Total U.S. Department of Health and Human Services		<u>7,000</u>
Total for All Federal Awards		<u>\$ 8,677,150</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.

CLARKSDALE MUNICIPAL 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	\$ 21,967,617	16,398,480	1,015,861	1,712,847	2,840,429
Other	8,838,683	4,182,485	339,933	32,131	4,284,134
Total	\$ 30,806,300	20,580,965	1,355,794	1,744,978	7,124,563
Total number of students *	2,931				
Cost per student	\$ 10,511	7,022	463	595	2,431

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

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

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

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

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

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

OTHER INFORMATION

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2013	2012*	2011*	2010*
Revenues:				
Local sources	\$ 3,491,024	\$ 3,619,051	\$ 3,595,380	\$ 3,629,761
Intermediate sources	-	-	223	-
State sources	14,802,470	15,582,798	14,665,716	14,726,089
Federal sources	126,469	365,631	225,551	356,780
Total Revenues	18,419,963	19,567,480	18,486,870	18,712,630
Expenditures:				
Instruction	11,875,147	11,156,043	10,605,785	10,984,149
Support services	7,949,318	7,548,110	7,783,824	7,712,093
Noninstructional services	2,364	2,946	4,060	10,233
Facilities acquisition and construction	-	886,243	-	6,838
Debt service:				
Principal	-	-	16,249	-
Total Expenditures	19,826,829	19,593,342	18,409,918	18,713,313
Excess (Deficiency) of Revenues over (under) Expenditures	(1,406,866)	(25,862)	76,952	(683)
Other Financing Sources (Uses):				
Inception of leases	-	238,600	-	-
Insurance loss recoveries	14,451	-	27,441	6,073
Sale of other property	-	-	-	767
Other financing sources	-	-	10,183	-
Operating transfers in	233,032	308,584	235,470	293,987
Operating transfers out	(425,884)	(375,246)	(694,772)	(456,666)
Other financing uses	-	-	(63,464)	-
Total Other Financing Sources (Uses)	(178,401)	171,938	(485,142)	(155,839)
Net Change in Fund Balances	(1,585,267)	146,076	(408,190)	(156,522)
Fund Balances:				
Beginning of period	4,925,788	4,779,712	5,187,902	5,344,424
End of Period	\$ 3,340,521	\$ 4,925,788	\$ 4,779,712	\$ 5,187,902

*SOURCE - PRIOR YEAR AUDIT REPORTS

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

	2013	2012*	2011*	2010*
Revenues:				
Local sources	\$ 4,506,192	\$ 4,881,921	\$ 4,550,633	\$ 4,413,152
Intermediate sources	-	-	223	-
State sources	16,125,856	16,942,357	15,751,194	16,026,134
Federal sources	8,677,150	10,610,838	10,554,371	10,313,130
Sixteenth section sources	87,989	42,079	85,159	-
Total Revenues	29,397,187	32,477,195	30,941,580	30,752,416
Expenditures:				
Instruction	14,690,853	15,370,100	15,071,189	17,219,404
Support services	12,454,415	12,365,834	12,253,272	10,372,486
Noninstructional services	2,371,582	2,419,246	2,546,166	2,379,644
Facilities acquisition and construction	-	1,388,570	3,236,023	268,709
Debt service:				
Principal	1,023,455	970,000	956,249	933,694
Interest	260,618	527,740	708,546	322,790
Other	5,377	35,836	5,396	2,579
Total Expenditures	30,806,300	33,077,326	34,776,841	31,499,306
Excess (Deficiency) of Revenues over (under) Expenditures	(1,409,113)	(600,131)	(3,835,261)	(746,890)
Other Financing Sources (Uses):				
Proceeds of loans	-	-	-	2,947,410
Inception of leases	-	238,600	-	-
Insurance loss recoveries	14,451	-	27,441	6,073
Sale of other property	-	-	-	767
Transfer from QSCB debt service agent	244,529	-	-	-
Payment to QSCB escrow agent	(244,529)	-	-	-
Other financing sources	-	274,973	286,205	-
Operating transfers in	903,206	708,287	975,096	750,653
Operating transfers out	(903,206)	(708,287)	(975,096)	(750,653)
Other financing uses	(23,109)	-	(65,527)	-
Total Other Financing Sources (Uses)	(8,658)	513,573	248,119	2,954,250
Net Change in Fund Balances	(1,417,771)	(86,558)	(3,587,142)	2,207,360
Fund Balances:				
Beginning of period	7,471,569	7,552,768	11,136,736	8,932,454
Increase (Decrease) in reserve for inventory	(4,071)	5,359	3,174	(3,078)
End of Period	\$ 6,049,727	\$ 7,471,569	\$ 7,552,768	\$ 11,136,736

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

CUNNINGHAM CPAs, PLLC

Certified Public Accountants & Consultants

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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
Clarksdale Municipal School District
Clarksdale, Mississippi

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 Clarksdale Municipal School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Clarksdale Municipal School District's basic financial statements, and have issued our report thereon dated January 29, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Clarksdale Municipal 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 Clarksdale Municipal School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Clarksdale Municipal 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 Clarksdale Municipal 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.



Cunningham CPAs, PLLC

Belzoni, Mississippi

January 29, 2014

CUNNINGHAM CPAs, PLLC
Certified Public Accountants & Consultants

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Superintendent and School Board
Clarksdale Municipal School District
Clarksdale, Mississippi

Report on Compliance for Each Major Federal Program

We have audited Clarksdale Municipal School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Clarksdale Municipal School District's major federal programs for the year ended June 30, 2013. Clarksdale Municipal 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 Clarksdale Municipal 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 Clarksdale Municipal School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Clarksdale Municipal 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 Clarksdale Municipal 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 Clarksdale Municipal 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 Clarksdale Municipal 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.



Cunningham CPAs, PLLC

Belzoni, Mississippi

January 29, 2014

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

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

Superintendent and School Board
Clarksdale Municipal School District
Clarksdale, Mississippi

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clarksdale Municipal School District as of and for the year ended June 30, 2013, which collectively comprise Clarksdale Municipal School District's basic financial statements and have issued our report thereon dated January 29, 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 reported \$20,438 of classroom supply funds carried over from previous years.

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

A handwritten signature in cursive script that reads "Cunningham CPAs".

Cunningham CPAs, PLLC

Belzoni, Mississippi

January 29, 2014

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CLARKSDALE MUNICIPAL 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 on the financial statements: | Unqualified |
| 2. | Internal control over financial reporting: | |
| | a. Material weakness(es) identified? | No |
| | b. Significant deficiency(ies) identified? | None reported |
| 3. | Noncompliance material to the financial statements noted? | No |

Federal Awards:

- | | | |
|----|--|---------------|
| 4. | Internal control over major programs: | |
| | a. Material weakness(es) identified? | No |
| | b. Significant deficiency(ies) identified? | None reported |
| 5. | Type of auditor's report issued on compliance for major programs: | Unqualified |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | No |
| 7. | Identification of major programs: | |
| | A. Title I - Grants to local educational agencies: | |
| | CFDA # | 84.010 |
| | B. Improving Teacher Quality | |
| | CFDA # | 84.367 |
| | C. School Improvement Grant Cluster: | |
| | CFDA # | 84.377 |
| | CFDA # | 84.388 |
| | C. Child Nutrition Cluster: | |
| | CFDA # | 10.553 |
| | CFDA # | 10.555 |
| | CFDA # | 10.559 |
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$ 300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

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.

Clarksdale Municipal School District

P.O. Box 1088

Clarksdale, MS 38614

Mr. Dennis Dupree – Superintendent

Kamilah Jones – Business Manger

PRIOR YEAR AUDIT FINDINGS FOLLOW UP

As required by Section .315(b) of OMB Circular A-133, the Clarksdale Municipal School District has prepared and hereby submits the following schedule of prior audit findings as of June 30, 2013:

Finding

Status

2012-01

This finding has been corrected.