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Clinton Public School District
Audited Financial Statements
For the Year Ended June 30, 2013



Bridgers & Goodman, PLLC
Certified Public Accountants
Vicksburg, Mississippi

**CLINTON PUBLIC SCHOOL DISTRICT
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INDEPENDENT AUDITOR'S REPORT



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

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

INDEPENDENT AUDITOR'S REPORT

**Superintendent and School Board
Clinton Public School District**

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 Clinton Public School District, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis beginning on page 5 and the budgetary comparison information beginning on pages 46 be presented to supplement the basic financial statements. Such information, although not a part of basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2013, on our consideration of the Clinton Public School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Clinton Public School District's internal control over financial reporting and compliance.

Bridgers & Goodman, PLLC

Bridgers & Goodman, PLLC
Certified Public Accountants
Vicksburg, Mississippi
December 19, 2013

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

FINANCIAL HIGHLIGHTS

- Total net position for 2013 increased \$153,794, which represents a 1% increase from the 2012 fiscal year.
Total net position for 2012 increased \$557,070, which represents a 2% increase from the 2011 fiscal year.
- General revenues amounted to \$32,982,653 and \$31,507,936, or 86% and 85% of all revenues for fiscal years 2013 and 2012, respectively. Program specific revenues in the form of charges for services accounted for \$5,320,322, or 14% of total revenues for 2013, and \$5,380,777, or 15% of total revenues for 2012.
- The District had \$38,149,181 and \$36,331,643 in expenses for fiscal years 2013 and 2012; only \$5,320,322 for 2013 and \$5,380,777 for 2012 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$32,982,653 for 2013 and \$31,507,936 for 2012 were adequate to provide for these programs.
- Among major funds, the General Fund had \$30,562,518 in revenues and \$30,333,199 in expenditures for 2013, and \$29,124,308 in revenues and \$26,975,164 in expenditures in 2012. The General Fund's fund balance increased by \$1,009,354 from 2012 to 2013, and increased by \$856,930 from 2011 to 2012.
- Capital assets, net of accumulated depreciation, decreased by \$288,718 for 2013 and increased by \$19,729,946 for 2012. The decrease for 2013 was due to the net effect of a \$1,828,368 addition of assets less the disposal of \$2,855 of net assets less the increase in accumulated depreciation of \$2,114,231. The increase for 2012 was due to the net effect of a \$21,275,658 addition of assets less the disposal of \$2,789 of net assets less the increase in accumulated depreciation of \$1,542,923.
- Long-term debt decreased by \$1,349,510 for 2013 and increased by \$8,660,000 for 2012. The decrease for 2013 was due to the inception of capital leases of \$694,637 less principal payments of \$2,044,147 on outstanding long-term debt. The increase for 2012 was due to the issuance of \$9,500,000 in bonds and the refunding issue of \$8,490,000 bonds less bond refunded of \$7,875,000 and principal payments of \$1,455,000 on outstanding long-term debt. In addition, the liability for compensated absences decreased by \$6,656 for 2013 and increased by \$8,356 for the fiscal year 2012.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts*. Information is presented separately

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

in the governmental fund's Balance Sheet and in the governmental fund's Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All other non-major funds are combined and presented in these reports as other governmental funds.

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

Certain other outflows represent either increase 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 Supplemental Information

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

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.

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities by \$31,958,489 as of June 30, 2013.

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

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

Table 1
Condensed Statement of Net Position

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Current assets	\$ 16,287,055	\$ 18,140,637	-10.22%
Other assets	101,262	113,920	-11.11%
Restricted assets	707,014	349,684	102.19%
Capital assets, net	58,988,771	59,277,489	-0.49%
Total assets	<u>76,084,102</u>	<u>77,881,730</u>	-2.31%
Deferred outflows of resource	<u>530,069</u>	<u>596,328</u>	-11.11%
Current liabilities	519,946	1,270,026	-59.06%
Long-term debt outstanding	44,047,171	45,303,701	-2.77%
Total liabilities	<u>44,567,117</u>	<u>46,573,727</u>	-4.31%
Deferred inflows of resources	<u>88,565</u>	<u>99,636</u>	-11.11%
Net position:			
Net investment in capital assets	15,213,281	14,152,489	7.50%
Restricted	6,194,574	7,653,256	-19.06%
Unrestricted	10,550,634	9,998,950	5.52%
Total net position	<u>\$ 31,958,489</u>	<u>\$ 31,804,695</u>	0.48%

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

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 \$288,718.
- The principal retirement of \$2,044,147 of long-term debt.
- Inception of capital lease of \$694,637.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2013 and June 30, 2012 were \$38,302,975 and \$36,888,713, respectively. The total cost of all programs and services was \$38,149,181 for 2013 and \$36,331,643 for 2012.

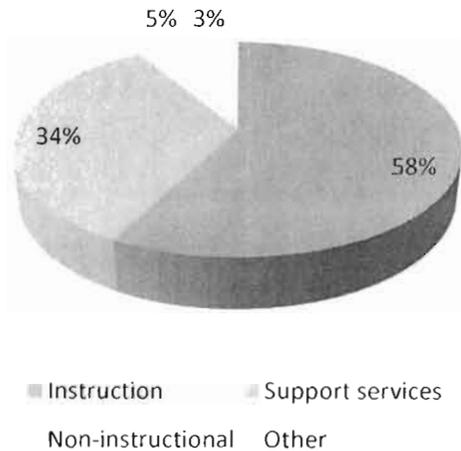
Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2013 and June 30, 2012.

Table 2
Changes in Net Position

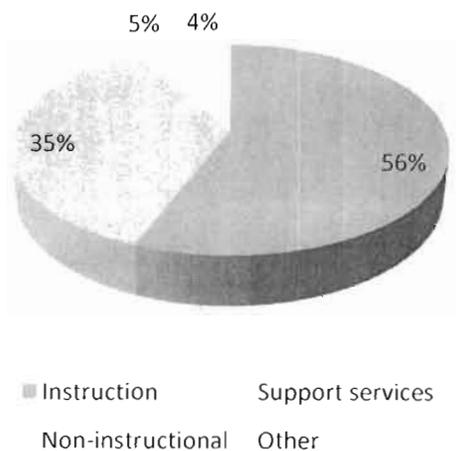
	<u>Year ended June 30, 2013</u>	<u>Year ended June 30, 2012</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 1,266,102	\$ 1,338,958	-5.44%
Operating grants and contributions	4,054,220	4,041,819	0.31%
Total program revenues	<u>5,320,322</u>	<u>5,380,777</u>	-1.12%
General revenues:			
Property Taxes	13,391,898	12,060,000	11.04%
Grants and Contributions, unrestricted	18,941,306	18,554,336	2.09%
Investment earnings	62,618	319,248	-80.39%
Sixteenth section sources	225,290	210,520	7.02%
Other general revenues	361,541	363,832	-0.63%
Total general revenues	<u>32,982,653</u>	<u>31,507,936</u>	4.68%
Total revenues	<u>38,302,975</u>	<u>36,888,713</u>	3.83%
Expenses:			
Instruction	22,005,474	20,333,783	8.22%
Support services	12,813,979	12,879,657	-0.51%
Non-instructional	1,977,613	1,824,136	8.41%
Sixteenth section	45,953	38,632	18.95%
Interest and other costs on long-term liabilities	1,306,162	1,255,435	4.04%
Total expenses	<u>38,149,181</u>	<u>36,331,643</u>	5.00%
Increase (Decrease) in net position	153,794	557,070	-72.39%
Net Position, July 1 (restated)	<u>31,804,695</u>	<u>31,247,625</u>	1.78%
Net Position, June 30	<u>\$ 31,958,489</u>	<u>\$ 31,804,695</u>	0.48%

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

**Percent of expense based on the
Statement of Activities June 30, 2013**



**Percent of expense based on the
Statement of Activities June 30, 2012**



- Net cost of governmental activities, \$(32,828,859) for 2013 and \$(30,950,866) for 2012 was financed by general revenue, which is made up of primarily property taxes of \$13,391,898 for 2013 and \$12,060,000 for 2012 and state and federal revenues of \$18,941,306 for 2013 and \$18,554,336 for 2012. In addition, there was \$225,290 and \$210,520 in Sixteenth Section sources for 2013 and 2012, respectively.
- Investment earnings amounted to \$62,618 for 2013 and \$319,248 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 \$16,686,184, a decrease of \$904,307, which includes the increase in inventory of \$11,534. \$7,641,770 or 46% 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 \$182,062 or 1% is non-spendable, \$6,224,573 or 37% is restricted and \$2,637,779 or 16% is assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$1,009,354. The fund balance of Other Governmental Funds

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

showed a decrease in the amount of \$2,091,304 which includes an increase in reserve for inventory of \$11,534. The other increases (decreases) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
16 th Section Interest Fund	\$177,643
Title I Fund	\$ -0-

BUDGETARY HIGHLIGHTS

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

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and 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 \$78,563,499, including land, school buildings, building improvements, improvements other than buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$1,706,141 from 2012. Total accumulated depreciation as of June 30, 2013, was \$19,574,728, and total depreciation expense for the year was \$2,114,232, resulting in total net capital assets of \$58,988,771.

Table 4
Capital Assets

	Capital Assets, Net of Depreciation		Percentage Change
	June 30, 2013	June 30, 2012	
Land	\$ 331,098	\$ 331,098	0.00%
Construction in progress	-	23,150,618	-100.00%
Buildings	47,807,507	24,720,954	93.39%
Building improvements	227,863	240,295	-5.17%
Improvements other than buildings	8,775,999	9,224,800	-4.87%
Mobile equipment	1,406,391	1,319,058	6.62%
Furniture and equipment	439,913	290,666	51.35%
Total	\$ 58,988,771	\$ 59,277,489	-0.49%

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

Debt Administration

At June 30, 2013, the District had \$44,047,171 in outstanding long-term debt, of which \$2,274,366 is due within one year. The liability for compensated absences at June 30, 2013 was \$271,681, a decrease of

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

\$6,656 from the prior year. An inception of \$694,637 in capital leases were issued in 2013. The District maintains an AA3 bond rating.

Table 5
Outstanding Long-Term Debt

	<u>Year ended</u> <u>June 30, 2013</u>	<u>Year ended</u> <u>June 30, 2012</u>	<u>Percentage</u> <u>Change</u>
General obligation bonds	\$ 35,305,000	\$ 36,955,000	-4.46%
Three mill notes	7,895,000	8,170,000	-3.37%
Capital leases	575,490	-	N/A
Compensated absences	271,681	278,337	-2.39%
Total	<u>\$ 44,047,171</u>	<u>\$ 45,403,337</u>	-2.99%

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

CURRENT ISSUES

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

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

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

FINANCIAL STATEMENTS

Clinton Public School District

**Statement of Net Position
June 30, 2013**

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 15,458,409
Due from other governments	735,951
Other receivables, net	10,317
Inventories	64,862
Prepaid items	17,516
Restricted assets	707,014
Deferred charges	101,262
Capital assets, non-depreciable:	
Land	331,098
Capital assets, net of accumulated depreciation:	
Buildings	47,807,507
Building improvements	227,863
Improvements other than buildings	8,775,999
Mobile equipment	1,406,391
Furniture and equipment	439,913
Total Assets	76,084,102
 Deferred Outflows of Resources	
Deferred discounts on refunding debt	530,069
 Liabilities	
Accounts payable and accrued liabilities	275,018
Unearned revenue	32,867
Interest payable on long-term liabilities	212,061
Long-term liabilities, due within one year	
Capital related liabilities	2,263,572
Non-capital related liabilities	10,794
Long-term liabilities, due beyond one year	
Capital related liabilities	41,511,918
Non-capital related liabilities	260,887
Total Liabilities	44,567,117
 Deferred Inflows of Resources	
Deferred premiums on refunding bonds	88,565
 Net Position	
Net investment in capital assets	15,654,785
Restricted for:	
Expendable:	
School-based activities	2,668,808
Ad valorem	394,628
Debt service	2,065,673
Capital improvements	884,826
Forestry improvements	1,731
Unemployment benefits	79,224
Non-expendable:	
Sixteenth section	99,684
Unrestricted	10,109,130
Total Net Position	\$ 31,958,489

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

Clinton Public School District

Statement of Activities

For the Year Ended June 30, 2013

Exhibit B

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction	\$ 22,005,474	\$ 624,020	\$ 2,274,352	\$ (19,107,102)
Support services	12,813,979		462,235	(12,351,744)
Non-instructional	1,977,613	642,082	1,317,633	(17,898)
Sixteenth section	45,953			(45,953)
Interest and other costs on long term liabilities	1,306,162			(1,306,162)
Total Governmental Activities	\$ 38,149,181	\$ 1,266,102	\$ 4,054,220	(32,828,859)
General Revenues:				
Taxes:				
General purpose levies				10,633,212
Debt purpose levies				2,758,686
Unrestricted grants and contributions:				
State				18,806,864
Federal				134,442
Unrestricted investment earnings				62,618
Sixteenth section sources				225,290
Other				361,541
Total General Revenues				32,982,653
Change in Net Position				153,794
Net Position - Beginning				31,804,695
Net Position - Ending				\$ 31,958,489

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

Clinton Public School District
Governmental Funds

Balance Sheet
June 30, 2013

Exhibit C

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	16th Section Interest	Title I		
ASSETS					
Cash and cash equivalents	\$ 10,257,961	\$ 2,252,416		\$ 3,047,716	\$ 15,558,093
Cash with fiscal agents				5,029	5,029
Investments				602,301	602,301
Due from other governments	433,562	17,886	110,192	174,311	735,951
Other receivables, net	10,000	136			10,136
Due from other funds	204,245				204,245
Inventories				64,862	64,862
Prepaid items	17,516				17,516
	<u>10,923,284</u>	<u>2,270,438</u>	<u>110,192</u>	<u>3,894,219</u>	<u>17,198,133</u>
Total Assets					
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	231,591	2,200		41,227	275,018
Due to other funds			110,192	93,872	204,064
Unearned revenue		8,067		24,800	32,867
Total Liabilities	<u>231,591</u>	<u>10,267</u>	<u>110,192</u>	<u>159,899</u>	<u>511,949</u>
Fund Balances:					
Nonspendable					
Inventory				64,862	64,862
Permanent fund principal				99,684	99,684
Prepaid items	17,516				17,516
Restricted					
Unemployment benefits				79,224	79,224
Forestry improvements				1,731	1,731
Capital projects				884,826	884,826
Debt service				2,277,733	2,277,733
Ad valorem	394,628				394,628
Sixteenth section		2,260,171		8,290	2,268,461
Food service				317,970	317,970
Assigned					
Funding activity	2,000,000				2,000,000
Special activity	131,321				131,321
General activity	506,458				506,458
Unassigned	7,641,770				7,641,770
Total Fund Balances	<u>10,691,693</u>	<u>2,260,171</u>	<u>-</u>	<u>3,734,320</u>	<u>16,686,184</u>
Total Liabilities and Fund Balances	<u>\$ 10,923,284</u>	<u>\$ 2,270,438</u>	<u>\$ 110,192</u>	<u>\$ 3,894,219</u>	<u>\$ 17,198,133</u>

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

Clinton Public School District

Governmental Funds

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2013	<u>Exhibit C-1</u>
	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 16,686,184
Amounts reported for governmental activities in the Statement of Net Position are different because:	
1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$19,574,728.	58,988,771
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(44,047,171)
3. Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Position recognizes interest as it accrues.	(212,061)
4. Governmental funds recognize bond issuance costs on long-term debt when paid, however the Statement of Net Position recognizes and accrues bond issuance costs over the life of the bonds.	101,262
5. Governmental funds recognize bond discounts on long-term debt when incurred, however the Statement of Net Position recognizes and accrues bond discounts over the life of the bonds.	530,069
6. Governmental funds recognize bond premiums on long-term debt when incurred, however the Statement of Net Position recognizes and accrues bond premiums over the life of the bonds.	(88,565)
Total Net Position - Governmental Activities	<u>\$ 31,958,489</u>

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

Clinton Public School District
Governmental Funds

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

Exhibit D

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	16th Section Interest	Title I		
Revenues:					
Local sources	\$ 11,656,569			\$ 3,425,590	\$ 15,082,159
State sources	18,771,506			758,147	19,529,653
Federal sources	134,443		\$ 814,387	2,517,043	3,465,873
Sixteenth section sources		\$ 223,596		1,694	225,290
Total Revenues	<u>30,562,518</u>	<u>223,596</u>	<u>814,387</u>	<u>6,702,474</u>	<u>38,302,975</u>
Expenditures:					
Instruction	18,059,623		622,806	1,658,001	20,340,430
Support services	12,142,263		79,766	1,867,103	14,089,132
Noninstructional services	12,166		91,721	1,910,074	2,013,961
Sixteenth section		45,953			45,953
Facilities acquisition and construction				1,101,465	1,101,465
Debt service:					
Principal	119,147			1,925,000	2,044,147
Interest				1,293,484	1,293,484
Other				6,114	6,114
Total Expenditures	<u>30,333,199</u>	<u>45,953</u>	<u>794,293</u>	<u>9,761,241</u>	<u>40,934,686</u>
Excess (Deficiency) of Revenues over Expenditures	<u>229,319</u>	<u>177,643</u>	<u>20,094</u>	<u>(3,058,767)</u>	<u>(2,631,711)</u>
Other Financing Sources (Uses):					
Inception of capital lease	694,637				694,637
Insurance loss recoveries	1,018,450				1,018,450
Other financing sources				350,000	350,000
Other financing uses				(347,217)	(347,217)
Operating transfers in	90,857			1,023,909	1,114,766
Operating transfers out	(1,023,909)		(20,094)	(70,763)	(1,114,766)
Total Other Financing Sources (Uses)	<u>780,035</u>	<u>-</u>	<u>(20,094)</u>	<u>955,929</u>	<u>1,715,870</u>
Net Change in Fund Balances	1,009,354	177,643	-	(2,102,838)	(915,841)
Fund Balances:					
July 1, 2012	9,682,339	2,082,528	-	5,825,624	17,590,491
Increase in reserve for inventory				11,534	11,534
June 30, 2013	<u>\$ 10,691,693</u>	<u>\$ 2,260,171</u>	<u>\$ -</u>	<u>\$ 3,734,320</u>	<u>\$ 16,686,184</u>

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

Clinton Public School District

Governmental Funds

**Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2013**

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ (915,841)
Amounts reported for governmental activities in the Statement of Activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$1,828,368 and the depreciation expense amounted to \$2,114,231.	(285,863)
2 Losses on the disposals of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds.	(2,855)
3. Increase in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are increased in the Statement of Activities.	11,534
4. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when the debt is first issued. These are deferred and amortized in the statement of activities.	
Inception of Capital Leases	(694,637)
Payment of debt principal	2,044,147
Amortization of deferred premiums on refunding bonds	11,071
Amortization of deferred discount on refunding debt	(66,259)
Amortization of deferred charges	(12,658)
Accrued interest payable	58,499
	1,340,163
5. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:	
Compensated absences	6,656
	6,656
Change in Net Position of Governmental Activities	\$ 153,794

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

Clinton Public School District

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities
June 30, 2013

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 1,458,895
Total Assets	<u>1,458,895</u>
Liabilities	
Accounts payable and accrued liabilities	1,374,646
Due to other funds	181
Due to student clubs	<u>84,068</u>
Total Liabilities	<u>\$ 1,458,895</u>

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

Clinton Public School District
Notes to the Financial Statements
For the Year Ended June 30, 2013

NOTE 1 Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

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

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

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

Clinton Public School District
Notes to the Financial Statements
For the Year Ended June 30, 2013

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

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

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

The school district reports the following major governmental funds:

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

Sixteenth Section Interest Fund – This fund accounts for resources and expenditures with the management sixteenth section lands.

Title I Fund - This fund accounts for the resources and expenditures of federal revenue for specific purposes.

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

The District also reports fiduciary funds include the following:

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

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

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

Clinton Public School District
Notes to the Financial Statements
For the Year Ended June 30, 2013

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

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

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

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

Clinton Public School District
Notes to the Financial Statements
For the Year Ended June 30, 2013

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

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

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

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

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net 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.

Clinton Public School District
Notes to the Financial Statements
For the Year Ended June 30, 2013

D. Encumbrances

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

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

1. Cash and Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

Clinton Public School District
Notes to the Financial Statements
For the Year Ended June 30, 2013

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

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

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

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

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

The following schedule details the capitalization thresholds:

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

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

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports discounts on refunded debt as a deferred outflow.

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

8. Compensated Absences

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

Clinton Public School District
Notes to the Financial Statements
For the Year Ended June 30, 2013

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

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

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

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

10. Fund Balances

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

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

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

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

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

Clinton Public School District
Notes to the Financial Statements
For the Year Ended June 30, 2013

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

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

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

It is the goal of the District to maintain an unassigned fund balance in the general fund at fiscal year end of not less than 8% of the actual revenues. If the unassigned fund balance at fiscal year end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

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 districts' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

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

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$15,558,093 and \$1,458,895, respectively. A portion of this amount, \$99,684, is presented as part of restricted assets on Exhibit A. The carrying amount of deposits reported in government-wide statements was: \$15,458,409.

Cash with fiscal agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$5,029.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2013, none of the district's bank balance of \$18,505,250 was exposed to custodial credit risk.

Investments

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

Investment	Rating	Maturity	Fair Value
Bank Plus Sinking Fund – Fiscal Agent for QSCB Loan – See Note 13	US Treasury Deposit	Various	\$602,301

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

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

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

Custodial Credit Risk – Investments: Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk.

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

NOTE 3 Inter-fund Receivables, Payables, and Transfers

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

A. Due From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 93,872
General Fund	Title I Fund	110,192
General Fund	Fiduciary Funds	181
Total		<u>\$ 204,245</u>

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

B. Inter-fund Transfers

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 1,023,909
Title I Fund	General Fund	20,094
Other Governmental Funds	General Fund	70,763
Total		<u>\$ 1,114,766</u>

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

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

NOTE 4 Restricted Assets

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

In addition, the restricted assets represent the cash with fiscal agent and investment balance, totaling \$5,029 and \$602,301, respectively, of the QSCB – 2010 Note Fund.

NOTE 5 Capital Assets

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

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2013</u>
Non-depreciable capital assets:				
Land	\$ 331,098			\$ 331,098
Construction in progress	23,150,618	\$ 1,101,465	\$ 24,252,083	-
Total non-depreciable capital assets	<u>23,481,716</u>	<u>1,101,465</u>	<u>24,252,083</u>	<u>331,098</u>
Depreciable capital assets:				
Buildings	36,384,311	24,252,083		60,636,394
Building improvements	310,793			310,793
Improvement other than buildings	11,220,045			11,220,045
Mobile equipment	3,929,522	319,358	18,145	4,230,735
Furniture and equipment	1,530,971	407,545	104,082	1,834,434
Total depreciable capital assets	<u>53,375,642</u>	<u>24,978,986</u>	<u>122,227</u>	<u>78,232,401</u>
Less accumulated depreciation:				
Buildings	11,663,357	1,165,530		12,828,887
Building improvements	70,498	12,432		82,930
Improvement other than buildings	1,995,245	448,801		2,444,046
Mobile equipment	2,610,464	230,211	16,331	2,824,344
Furniture and equipment	1,240,305	257,257	103,041	1,394,521
Total accumulated depreciation	<u>17,579,869</u>	<u>2,114,231</u>	<u>119,372</u>	<u>19,574,728</u>
Total depreciable capital assets, net	<u>35,795,773</u>	<u>22,864,755</u>	<u>2,855</u>	<u>58,657,673</u>
Governmental activities capital assets, net	<u>\$ 59,277,489</u>	<u>\$ 23,966,220</u>	<u>\$ 24,254,938</u>	<u>\$ 58,988,771</u>

Depreciation expense was charged to the following governmental functions:

<u>Governmental Function</u>	<u>Amount</u>
Instruction	\$ 1,707,060
Support services	368,493
Non-instructional	38,678
Total depreciation expense	<u>\$ 2,114,231</u>

Clinton Public School District
Notes to the Financial Statements
For the Year Ended June 30, 2013

NOTE 6 Long-term Liabilities

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

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Amounts due within one year
A General obligation bonds payable	\$ 28,465,000		\$ 1,515,000	\$ 26,950,000	\$ 1,705,000
General obligation refunding bonds payable	8,490,000		135,000	8,355,000	100,000
B Three mill notes payable	8,170,000		275,000	7,895,000	285,000
C Obligations under capital leases	-	694,637	119,147	575,490	173,572
D Compensated absences payable	278,337		6,656	271,681	10,794
Total	<u>\$ 45,403,337</u>	<u>\$ 694,637</u>	<u>\$ 2,050,803</u>	<u>\$ 44,047,171</u>	<u>\$ 2,274,366</u>

A. General obligation bonds payable

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

General obligation bonds currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General Obligation Bonds, Series 2005	3.25-4.00%	03/15/05	03/15/17	\$ 17,500,000	\$ 5,125,000
General Obligation Bonds, Series 2010	3.00-4.25%	12/23/10	06/01/30	14,000,000	12,600,000
General Obligation Bonds, Series 2011	2.50-3.25%	10/01/11	10/01/28	9,000,000	8,820,000
General Obligation Bonds, Series 2012	1.20-1.50%	05/30/12	06/01/18	500,000	405,000
General Obligation Bonds, Series 2012 – Refunded 2005	2.00-2.13%	05/30/12	03/15/22	8,490,000	8,355,000
Total				<u>\$ 49,490,000</u>	<u>\$ 35,305,000</u>

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

1. Bond issue of Series 2005:

Year Ending June 30	Principal	Interest	Total
2014	\$ 850,000	\$ 198,625	\$ 1,048,625
2015	1,325,000	171,000	1,496,000
2016	1,425,000	118,000	1,543,000
2017	1,525,000	61,000	1,586,000
Total	<u>\$ 5,125,000</u>	<u>\$ 548,625</u>	<u>\$ 5,673,625</u>

This debt will be retired from the Debt Service Funds (Debt Service - 2005/2012 Refunded Bonds Fund) which will be financed by local millage and EEF Building and Buses Fund annual

Clinton Public School District
Notes to the Financial Statements
For the Year Ended June 30, 2013

appropriation of \$166,601. These EEF funds are pledged exclusively to the general obligation bonds, series 2005 (including the refunded bonds) through March 15, 2022 at which time they will become exclusively pledged to the general obligation bonds, series 2010 through June 1, 2030.

2. Bond issue of Series 2010:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 510,000	\$ 474,938	\$ 984,938
2015	530,000	459,637	989,637
2016	555,000	443,738	998,738
2017	580,000	427,087	1,007,087
2018	605,000	402,437	1,007,437
2019 – 2023	3,475,000	1,606,287	5,081,287
2024 – 2028	4,330,000	846,100	5,176,100
2029 – 2030	2,015,000	106,575	2,121,575
Total	<u>\$ 12,600,000</u>	<u>\$ 4,766,799</u>	<u>\$ 17,366,799</u>

This debt will be retired from the Debt Service Funds (Debt Service – 2010 Bonds Fund) which will be financed by local millage and EEF Building and Buses Fund annual appropriation of \$166,601. These EEF funds are pledged exclusively to the general obligation bonds, series 2005 (including the refunded bonds) through March 15, 2022 at which time they will become exclusively pledged to the general obligation bonds, series 2010 through June 1, 2030.

3. Bond issue of Series 2011:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 250,000	\$ 235,819	\$ 485,819
2015	250,000	227,694	477,694
2016	275,000	219,162	494,162
2017	325,000	209,819	534,819
2018	360,000	199,544	559,544
2019 – 2023	2,360,000	831,228	3,191,228
2024 – 2028	3,900,000	436,906	4,336,906
2029	1,100,000	15,125	1,115,125
Total	<u>\$ 8,820,000</u>	<u>\$ 2,375,297</u>	<u>\$ 11,195,297</u>

This debt will be retired from the Debt Service Funds (Debt Service – 2011 Bonds Fund) which will be financed by local millage.

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

4. Bond issue of Series 2012:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 95,000	\$ 4,860	\$ 99,860
2015	80,000	3,875	83,875
2016	80,000	6,900	86,900
2017	80,000	6,000	86,000
2018	70,000	3,500	73,500
Total	<u>\$ 405,000</u>	<u>\$ 25,135</u>	<u>\$ 430,135</u>

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

5. Bond issue of Refunded Series 2012:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 100,000	\$ 168,288	\$ 268,288
2015	100,000	166,287	266,287
2016	100,000	164,288	264,288
2017	100,000	162,287	262,287
2018	1,705,000	160,288	1,865,288
2019-2022	6,250,000	290,850	6,540,850
Total	<u>\$ 8,355,000</u>	<u>\$ 1,112,288</u>	<u>\$ 9,467,288</u>

This debt will be retired from the Debt Service Funds (Debt Service – 2005/2012 Refunded Bonds Fund) which will be financed by local millage and EEF Building and Buses Fund annual appropriation of \$166,601. These EEF funds are pledged exclusively to the general obligation bonds, series 2005 (including the refunded bonds) through March 15, 2022 at which time they will become exclusively pledged to the general obligation bonds, series 2010 through June 1, 2030.

Advance Refunding

On May 30, 2012 the district issued \$8,490,000 in general obligation bonds with an average interest rate of 2% to advance refund \$6,975,000 of outstanding general obligation bonds with an average interest rate of 4%. The net proceeds of \$8,471,328 after payments of \$113,920 for issuance costs were deposited in an irrevocable trust with an escrow agent to provide for all future debt payment requirements on the general obligation bonds.

The 2018 through 2022 maturities of the Series 2005 Bonds in the principal amount of \$7,785,000 will be redeemed on March 16, 2014 at par, plus accrued interest from the \$8,471,328 proceeds of the District's Series 2012 Bonds which were deposited into an escrow fund held by Deutsche Bank, Olive Branch, Mississippi on May 30, 2012.

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

As a result, the 2005 general obligation bonds are considered to be defeased and the liability for those bonds has been removed from long-term liabilities.

The district advance refunded a portion of the 2005 general obligation bonds to reduce its total debt service payments over the remaining 10 years of the debt by approximately \$610,735 and to realize an economic gain of \$610,735.

The total general obligation bond payments for all issues:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 1,805,000	\$ 1,082,530	\$ 2,887,530
2015	2,285,000	1,028,493	3,313,493
2016	2,435,000	952,088	3,387,088
2017	2,610,000	866,193	3,476,193
2018	2,740,000	765,769	3,505,769
2019 – 2023	12,085,000	2,728,365	14,813,365
2024 – 2028	8,230,000	1,283,006	9,513,006
2029	3,115,000	121,700	3,236,700
Total	<u>\$ 35,305,000</u>	<u>\$ 8,828,144</u>	<u>\$ 44,133,144</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann, (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2013, the amount of outstanding bonded indebtedness was equal to 14.7% of property assessments as of October 1, 2012.

B. Three mill notes payable

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

Three mill notes 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>
Three mill note, Series 2008	3.63%	12/05/08	12/5/18	\$ 2,935,000	\$ 1,895,000
Three mill note, Series 2010	0.00%	12/16/10	12/1/25	6,000,000	6,000,000
Total				<u>\$ 8,935,000</u>	<u>\$ 7,895,000</u>

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

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

1. Three mill notes payable issue of 2008:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 285,000	\$ 63,616	\$ 348,616
2015	300,000	52,998	352,998
2016	310,000	41,927	351,927
2017	320,000	30,492	350,492
2018	335,000	18,603	353,603
2019	345,000	6,262	351,262
Total	<u>\$ 1,895,000</u>	<u>\$ 213,898</u>	<u>\$ 2,108,898</u>

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

2. Three mill notes payable issue of 2010:

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

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

See Note 13 for required sinking fund payments.

C. Obligation under capital leases

The school district has entered into a lease agreement as lessee for financing the acquisition of computers and computer equipment at a cost of \$694,637 with a down payment of \$119,147. This lease qualifies as a capital lease for accounting purposes with the option to purchase for \$1 at the end of the term.

The school district uses the straight-line method of amortization for the lease payments which is not in accordance with accounting principles generally accepted in the United States of America. However, the difference between the effective interest method and the straight-line method is not considered material.

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

Capital leases currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Capital lease, 2012 Issue	0.90%	9/11/12	09/10/15	\$ 470,248	\$ 351,101
Capital lease, 2013 Issue	2.13%	3/25/13	07/25/16	224,389	224,389
Total				<u>\$ 694,637</u>	<u>\$ 575,490</u>

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

1. Capital lease issue of 2012:

Year Ending June 30	Principal	Interest	Total
2014	\$ 115,987	\$ 3,160	\$ 119,147
2015	117,030	2,116	119,146
2016	118,084	1,063	119,147
Total	<u>\$ 351,101</u>	<u>\$ 6,339</u>	<u>\$ 357,440</u>

This debt will be retired from the District Maintenance Fund.

2. Capital lease issue of 2013:

Year Ending June 30	Principal	Interest	Total
2014	\$ 57,586	\$ 397	\$ 57,983
2015	54,435	3,548	57,983
2016	55,593	2,390	57,983
2017	56,775	1,208	57,983
Total	<u>\$ 224,389</u>	<u>\$ 7,543</u>	<u>\$ 231,932</u>

This debt will be retired from the District Maintenance Fund.

The total capital lease payments for all issues:

Year Ending June 30	Principal	Interest	Total
2014	\$ 173,573	\$ 3,557	\$ 177,130
2015	171,465	5,664	177,129
2016	173,677	3,453	177,130
2017	56,775	1,208	57,983
Total	<u>\$ 575,490</u>	<u>\$ 13,882</u>	<u>\$ 589,372</u>

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

D. Compensated absences payable

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

NOTE 7 Other Commitments

Commitments under construction contracts are described in Note 5.

Operating leases:

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

Lease expenditures for the year ended June 30, 2013, amounted to \$42,175. Future lease payments for these leases are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2014	\$ 40,075
2015	19,563
Total	<u>\$ 59,638</u>

NOTE 8 Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2013 was 14.26% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2013, 2012 and 2011 were \$2,785,758, \$2,364,705 and \$2,213,124, respectively, which equaled the required contributions for each year.

NOTE 9 Sixteenth Section Lands

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

Clinton Public School District
Notes to the Financial Statements
For the Year Ended June 30, 2013

trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

<u>Year Ending June 30</u>	<u>Amount</u>
2014	\$ 172,258
2015	160,020
2016	138,290
2017	128,719
2018	67,980
2019– 2023	334,286
2024– 2028	311,079
2029– 2033	142,446
2034– 2038	20,025
Thereafter	<u>23,990</u>
Total	<u>\$ 1,499,093</u>

NOTE 10 Contingencies

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

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

NOTE 11 Risk Management

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

NOTE 12 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 Clinton Public School District evaluated the activity of

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

the district through December 19, 2013, and determined that the following subsequent events have occurred that require disclosure in the notes to the financial statements:

On July 25, 2013 the district signed a capital lease with Apple, Inc. to obtain \$4,251,758 of computer equipment, with a 1.29% interest rate, payable over 4 years with the 1st payable due July 25, 2013.

NOTE 13 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 \$608,181. The amount in the sinking fund at the end of the 14 year period will be sufficient to retire the debt. This fund is being funded under the three mill levy authority.

The following schedule reports the annual deposits, funded by a three mill levy, to be made to the sinking fund by the school district.

<u>Year Ending June 30</u>	<u>Principal</u>
2014	\$ 415,000
2015	415,000
2016	415,000
2017	415,000
2018	415,000
2019 – 2023	2,077,000
2024 – 2026	1,248,000
Total	\$ <u>5,400,000</u>

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

NOTE 14 Insurance Loss Recoveries

The Clinton Public School District received \$1,018,450 in insurance loss recoveries during the 2012-2013 fiscal year. The majority is related to hail storm damage to buildings and buses that occurred on March 18, 2013. An additional \$4,322,992 was received after settlement of the hail storm claim on July 29, 2013. In the government wide Statement of Activities, the insurance loss recoveries were reported as support service expense.

REQUIRED SUPPLEMENTARY INFORMATION

Clinton Public 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	\$ 11,379,329	\$11,390,663	\$ 11,656,569	\$ 11,334	\$ 265,906
State sources	19,058,615	19,051,534	18,771,506	(7,081)	(280,028)
Federal sources	97,538	134,443	134,443	36,905	-
Total Revenues	<u>30,535,482</u>	<u>30,576,640</u>	<u>30,562,518</u>	<u>41,158</u>	<u>(14,122)</u>
Expenditures:					
Instruction	18,011,047	17,515,714	18,059,623	495,333	(543,909)
Support services	11,347,534	12,774,717	12,142,263	(1,427,183)	632,454
Noninstructional services	50,200	50,200	12,166	-	38,034
Debt service:					
Principal	-	119,147	119,147	(119,147)	-
Total Expenditures	<u>29,408,781</u>	<u>30,459,778</u>	<u>30,333,199</u>	<u>(1,050,997)</u>	<u>126,579</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,126,701</u>	<u>116,862</u>	<u>229,319</u>	<u>(1,009,839)</u>	<u>112,457</u>
Other Financing Sources (Uses):					
Insurance loss recoveries	-	1,018,451	1,018,450	1,018,451	(1)
Inception of capital lease	-	-	694,637	-	694,637
Operating transfers in	3,867,505	4,965,682	90,857	1,098,177	(4,874,825)
Operating transfers out	(5,306,666)	(5,897,965)	(1,023,909)	(591,299)	4,874,056
Total Other Financing Sources (Uses)	<u>(1,439,161)</u>	<u>86,168</u>	<u>780,035</u>	<u>1,525,329</u>	<u>693,867</u>
Net Change in Fund Balances	(312,460)	203,030	1,009,354	515,490	806,324
Fund Balances:					
July 1, 2012	<u>8,098,055</u>	<u>9,682,339</u>	<u>9,682,339</u>	<u>1,584,284</u>	<u>-</u>
June 30, 2013	<u>\$ 7,785,595</u>	<u>\$ 9,885,369</u>	<u>\$ 10,691,693</u>	<u>\$ 2,099,774</u>	<u>\$ 806,324</u>

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

Clinton Public School District
Required Supplementary Information

Budgetary Comparison Schedule
Sixteenth Section Interest Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Original	Final
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Sixteenth section sources	\$ 212,994	\$ 224,500	\$ 223,596	\$ 11,506	\$ (904)
Total Revenues	<u>212,994</u>	<u>224,500</u>	<u>223,596</u>	<u>11,506</u>	<u>(904)</u>
Expenditures:					
Sixteenth section	26,536	46,100	45,953	(19,564)	147
Total Expenditures	<u>26,536</u>	<u>46,100</u>	<u>45,953</u>	<u>(19,564)</u>	<u>147</u>
Excess (Deficiency) of Revenues over Expenditures	<u>186,458</u>	<u>178,400</u>	<u>177,643</u>	<u>(8,058)</u>	<u>(757)</u>
Net Change in Fund Balances	<u>186,458</u>	<u>178,400</u>	<u>177,643</u>	<u>(8,058)</u>	<u>(757)</u>
Fund Balances:					
July 1, 2012	<u>2,078,087</u>	<u>2,082,528</u>	<u>2,082,528</u>	<u>4,441</u>	<u>-</u>
June 30, 2013	<u>\$ 2,264,545</u>	<u>\$ 2,260,928</u>	<u>\$ 2,260,171</u>	<u>\$ (3,617)</u>	<u>\$ (757)</u>

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

Clinton Public School District
Required Supplementary Information

Budgetary Comparison Schedule
Title I Funds
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	\$ 1,052,539	\$ 1,013,742	\$ 814,387	\$ (38,797)	\$ (199,355)
Total Revenues	<u>1,052,539</u>	<u>1,013,742</u>	<u>814,387</u>	<u>(38,797)</u>	<u>(199,355)</u>
Expenditures:					
Instruction	781,751	763,682	622,806	18,069	140,876
Support services	153,068	138,245	79,766	14,823	58,479
Noninstructional services	93,684	91,721	91,721	1,963	-
Total Expenditures	<u>1,028,503</u>	<u>993,648</u>	<u>794,293</u>	<u>34,855</u>	<u>199,355</u>
Excess (Deficiency) of Revenues over Expenditures	<u>24,036</u>	<u>20,094</u>	<u>20,094</u>	<u>(3,942)</u>	<u>-</u>
Other Financing Sources (Uses):					
Operating transfers out	(24,036)	(20,094)	(20,094)	3,942	-
Total Other Financing Sources (Uses)	<u>(24,036)</u>	<u>(20,094)</u>	<u>(20,094)</u>	<u>3,942</u>	<u>-</u>
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2012	-	-	-	-	-
June 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Clinton Public School District
Notes to the Required Supplementary Information
For the Year Ended June 30, 2013

Budgetary Comparison Schedules

(1) Basis of Presentation.

The Budgetary Comparison 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

Clinton Public School District

Supplementary Information

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2013

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	* 10.553	\$ 178,686
National school lunch program	* 10.555	1,153,801
Total child nutrition cluster		<u>1,332,487</u>
Total U.S. Department of Agriculture		<u>1,332,487</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	134,443
Total Federal Communications Commission		<u>134,443</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	814,387
Career and technical education - basic grants to states	84.048	41,419
Readiness and Emergency Management for Schools	84.184E	45,354
English language acquisition grants	84.365	53,498
Improving teacher quality state grants	84.367	217,303
Total		<u>1,171,961</u>
Special education cluster:		
Special education - grants to states	84.027	805,261
Special education - preschool grants	84.173	21,722
Total special education cluster		<u>826,983</u>
Total passed-through Mississippi Department of Education		<u>1,998,944</u>
Total U.S. Department of Education		<u>1,998,944</u>
Total for All Federal Awards		<u>\$ 3,465,874</u>

NOTES TO SCHEDULE

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

Clinton Public 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	\$ 26,166,194	\$ 19,409,355	\$ 1,048,841	\$ 2,035,388	\$ 3,672,610
Other	14,768,492	2,744,599	293,364	69,608	11,660,921
Total	<u>\$ 40,934,686</u>	<u>\$ 22,153,954</u>	<u>\$ 1,342,205</u>	<u>\$ 2,104,996</u>	<u>\$ 15,333,531</u>
Total number of students *	4,688				
Cost per student	<u>\$ 8,732</u>	<u>\$ 4,726</u>	<u>\$ 286</u>	<u>\$ 450</u>	<u>\$ 3,271</u>

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

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

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

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

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

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

OTHER INFORMATION

Clinton Public School District

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

"UNAUDITED"

	<u>2013</u>	<u>2012 *</u>	<u>2011 *</u>	<u>2010 *</u>
Revenues:				
Local sources	\$ 11,656,569	\$ 10,623,998	\$ 10,631,627	\$ 10,915,744
State sources	18,771,506	18,402,772	17,093,982	18,384,066
Federal sources	134,443	97,538	42,812	100,398
Total Revenues	<u>30,562,518</u>	<u>29,124,308</u>	<u>27,768,421</u>	<u>29,400,208</u>
Expenditures:				
Instruction	18,059,623	16,674,042	14,173,892	16,790,837
Support services	12,142,263	10,285,283	9,530,515	10,668,533
Noninstructional services	12,166	15,839	16,498	11,133
Debt service:				
Principal	119,147	-	-	-
Total Expenditures	<u>30,333,199</u>	<u>26,975,164</u>	<u>23,720,905</u>	<u>27,470,503</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>229,319</u>	<u>2,149,144</u>	<u>4,047,516</u>	<u>1,929,705</u>
Other Financing Sources (Uses):				
Insurance loss recoveries	1,018,450	16,852	680	362
Inception of capital lease	694,637	-	-	-
Sale of transportation equipment	-	3,896	-	-
Sale of other property	-	3,500	3,501,000	-
Operating transfers in	90,857	88,036	96,521	38,514
Operating transfers out	<u>(1,023,909)</u>	<u>(1,404,498)</u>	<u>(4,113,271)</u>	<u>(2,475,189)</u>
Total Other Financing Sources (Uses)	<u>780,035</u>	<u>(1,292,214)</u>	<u>(515,070)</u>	<u>(2,436,313)</u>
Net Change in Fund Balances	1,009,354	856,930	3,532,446	(506,608)
Fund Balances:				
July 1	<u>9,682,339</u>	<u>8,825,409</u>	<u>5,292,963</u>	<u>5,799,571</u>
June 30	<u>\$ 10,691,693</u>	<u>\$ 9,682,339</u>	<u>\$ 8,825,409</u>	<u>\$ 5,292,963</u>

* SOURCE - PRIOR YEAR AUDIT REPORTS

Clinton Public School District

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

"UNAUDITED"

	<u>2013</u>	<u>2012 *</u>	<u>2011 *</u>	<u>2010 *</u>
Revenues:				
Local sources	\$ 15,082,159	\$ 14,074,643	\$ 13,259,769	\$ 13,584,736
State sources	19,529,653	19,310,218	18,093,982	19,104,890
Federal sources	3,465,873	3,285,936	6,233,447	4,881,194
Sixteenth section sources	225,290	210,520	242,713	614,524
Total Revenues	<u>38,302,975</u>	<u>36,881,317</u>	<u>37,829,911</u>	<u>38,185,344</u>
Expenditures:				
Instruction	20,340,430	19,118,449	19,678,853	21,196,737
Support services	14,089,132	12,908,375	12,824,015	12,255,752
Noninstructional services	2,013,961	1,797,210	1,749,330	1,715,821
Sixteenth section	45,953	38,632	90,567	60,866
Facilities acquisitions & construction	1,101,465	20,940,530	2,405,210	1,499,415
Debt service:				
Principal	2,044,147	1,455,000	4,415,000	1,665,000
Interest	1,293,484	1,148,730	978,636	916,785
Other	6,114	8,588,248	2,600	1,850
Total Expenditures	<u>40,934,686</u>	<u>65,995,174</u>	<u>42,144,211</u>	<u>39,312,226</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(2,631,711)</u>	<u>(29,113,857)</u>	<u>(4,314,300)</u>	<u>(1,126,882)</u>
Other Financing Sources (Uses):				
Proceeds of bonds	-	9,500,000	14,000,000	-
Proceeds of refunding bonds	-	8,490,000	-	-
Proceeds of loans	-	-	6,000,000	-
Inception of capital lease	694,637	-	-	-
Premiums on refunding bondss	-	99,636	-	-
Insurance loss recoveries	1,018,450	16,852	680	362
Sale of transportation equipment	-	3,896	-	-
Sale of other property	-	3,500	3,501,000	-
Other financing sources	350,000	250,000	-	-
Other financing uses	(347,217)	(250,000)	-	-
Operating transfers in	1,114,766	1,573,002	4,209,792	2,513,703
Operating transfers out	(1,114,766)	(1,573,002)	(4,209,792)	(2,513,703)
Total Other Financing Sources (Uses)	<u>1,715,870</u>	<u>18,113,884</u>	<u>23,501,680</u>	<u>362</u>
Net Change in Fund Balances	(915,841)	(10,999,973)	19,187,380	(1,126,520)
Fund Balances:				
July 1	17,590,491	28,601,918	9,397,158	10,536,903
Increase (Decrease) in reserve for inventory	11,534	(11,454)	17,380	(13,225)
June 30	<u>\$ 16,686,184</u>	<u>\$ 17,590,491</u>	<u>\$ 28,601,918</u>	<u>\$ 9,397,158</u>

* SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



BRIDGERS & GOODMAN, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

A Professional Corporation

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

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

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

Superintendent and School Board
Clinton Public School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clinton Public School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Clinton Public School District's basic financial statements, and have issued our report thereon dated December 19, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Bridgers & Goodman, PLLC

Bridgers & Goodman, PLLC
Certified Public Accountants
Vicksburg, Mississippi
December 19, 2013



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

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

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

Superintendent and School Board
Clinton Public School District

Report on Compliance for Each Major Federal Program

We have audited Clinton Public School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Clinton Public School District's major federal programs for the year ended June 30, 2013. Clinton Public 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 Clinton Public School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Clinton Public 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 Clinton Public School District's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Bridgers & Goodman, PLLC
Bridgers & Goodman, PLLC
Certified Public Accountants
Vicksburg, Mississippi
December 19, 2013

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



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

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

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

Superintendent and School Board
Clinton Public School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clinton Public School District as of and for the year ended June 30, 2013, which collectively comprise Clinton Public School District's basic financial statements and have issued our report thereon dated December 19, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

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

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

Bridgers & Goodman, PLLC

Bridgers & Goodman, PLLC
Certified Public Accountants
Vicksburg, Mississippi
December 19, 2013

SCHEDULE OF FINDINGS AND QUESTIONED COST

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

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | | |
|----|---|---|
| 4. | Internal control over major programs: | |
| | a. Material weakness(es) identified? (Yes/No) | No |
| | b. Significant deficiency(ies) identified? (Yes/None reported) | None reported |
| 5. | Type of auditor's report issued on compliance for major programs: | Unmodified |
| 6. | Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? (Yes/No) | No |
| 7. | Identification of major programs: | |
| | <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
| | | Child Nutrition Cluster: |
| | 10.553 | School Breakfast Program |
| | 10.555 | National School Lunch Program |
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as low-risk auditee? (Yes/No) | Yes |

**Clinton Public 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.

SUMMARY OF PRIOR FEDERAL AUDIT FINDINGS



Clinton Public School District

F. O. Box 300
Clinton, Mississippi 39060

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Phillip G. Burchfield, Ed.D.
Superintendent of Education

For the Year Ended June 30, 2013

December 20, 2013

Bridgers & Goodman, PLLC
3528 Manor Dr.
Vicksburg, Mississippi

Gentlemen:

The Clinton Public School District respectfully submits the following summary schedule of prior audit findings relative to federal awards.

UNITED STATES DEPARTMENT OF AGRICULTURE

FINDING 2012-1: Child Nutrition Cluster: School Breakfast Program CFDA No. 10.553 and National School Lunch Program CFDA No. 10.555 Passed through the Mississippi Department of Education:

Compliance requirement: Cash Management

7 CFR Part 210.8 states that in order for the school district to be entitled to reimbursement, they shall submit to the Office of Child Nutrition a monthly claim for reimbursement. The Policies and Procedures Manual for Child Nutrition Programs in Mississippi states that this claim is due at the Office of Child Nutrition on the 10th of the month following the reporting month. During the course of our audit, the auditor found that five of the ten monthly cash requests were not submitted timely. While this did not cause funds to be received late by the district, inadequate controls could result in the district forfeiting its reimbursement or not receiving the funds in a timely manner.

Recommendation:

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

Current Status:

During the course of the fiscal 2013 school year, every effort was taken to comply with the requirement stated above. It was not until December 2013 that a permanent solution to the compliance requirement was found, therefore, policies and procedures have been implemented. "Corrective Action has been taken".

Sincerely yours,

Regina Ducksworth
Food Service Director
Phone: (601) 924-4002