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**Clinton Public School District**

Audited Financial Statements  
For the Year Ended June 30, 2016

**Fortenberry & Ballard, PC**  
Certified Public Accountants

**Clinton Public School District**  
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## FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

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, 2016, 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 District'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.

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## **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, 2016, 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, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability and the Schedule of District Contributions on pages 8 to 16 and 51 to 56, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Clinton Public School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures

applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information mentioned above 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 November 28, 2016, 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.

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
November 28, 2016

Certified Public Accountants



## MANAGEMENT'S DISCUSSION AND ANALYSIS

**Clinton Public School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2016

The following discussion and analysis of Clinton Public School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2016. 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 2016 decreased \$1,822,360, which represents 22% decrease from fiscal year 2015. Total net position for 2015 decreased \$38,542,240, which represents 128% decrease from fiscal year 2014.
- General revenues amounted to \$38,891,358 and \$37,761,429, or 86% and 86% of all revenues for fiscal years 2016 and 2015, respectively. Program specific revenues in the form of charges for services accounted for \$6,287,774, or 14% of total revenues for 2016, and \$6,063,134, or 14% of total revenues for 2015.
- The District had \$47,001,492 and \$41,029,020 in expenses for fiscal years 2016 and 2015; only \$6,287,774 for 2016 and \$6,063,134 for 2015 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$38,891,358 for 2016 were not adequate to provide for these programs. However, \$37,761,429 for 2015 were adequate to provide for these programs.
- Among major funds, the General Fund had \$35,761,936 in revenues and \$38,478,635 in expenditures for 2016, and \$34,449,913 in revenues and \$35,471,491 in expenditures in 2015. The General Fund's fund balance decreased by \$3,375,651 from 2015 to 2016, and increased by \$2,061,976 from 2014 to 2015.
- Capital assets, net of accumulated depreciation, decreased by \$1,364,259 for 2016 and decreased by \$1,714,031 for 2015. The decrease for 2016 was due to the net effect of a \$583,895 addition of assets less the disposal of \$31,899 of assets less the increase in accumulated depreciation of \$1,916,255.
- Long-term debt decreased by \$4,069,992 for 2016 and decreased by \$3,505,217 for 2015. The decrease for 2016 was due to primarily to the principal payments of outstanding long-term debt of \$4,069,992. The liability for compensated absences increased by \$1,863 for 2016 and decreased by \$6,295 for 2015.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis serves as an introduction to the District's basic financial statements, which includes 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, 2016

**Government-wide Financial Statements**

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

The Statement of Net Position presents information on all the District's nonfiduciary assets, deferred outflows, liabilities, and deferred inflows, with the differences between them 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, pension expense, and interest on long-term liabilities.

**Fund Financial Statements**

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

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

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

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

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

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

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

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

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

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

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

### **Notes to the financial statements**

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

### **Required Supplementary Information**

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

**Clinton Public School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2016

**Supplementary Information**

Additionally, a Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

**Other Information**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Position**

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$10,200,966 as of June 30, 2016 and \$8,378,606 as of June 30, 2015.

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 at June 30, 2016 and June 30, 2015.

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Management's Discussion and Analysis  
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**Table 1**  
**Condensed Statement of Net Position**

	<u>2016</u>	<u>2015</u>	<u>Percentage Change</u>
Current assets	\$ 13,591,185	\$ 16,334,146	-17%
Restricted assets	2,134,367	1,571,851	36%
Capital assets, net	<u>54,129,110</u>	<u>55,493,369</u>	-2%
<b>Total assets</b>	<u>69,854,662</u>	<u>73,399,366</u>	-5%
<b>Deferred outflows of resources</b>	<u>11,651,315</u>	<u>3,872,689</u>	201%
Current liabilities	1,009,126	598,004	69%
Long-term liabilities	37,089,548	41,102,489	-10%
Net pension liability	<u>51,722,254</u>	<u>37,202,153</u>	39%
<b>Total liabilities</b>	<u>89,820,928</u>	<u>78,902,646</u>	14%
<b>Deferred inflows of resources</b>	<u>1,886,015</u>	<u>6,748,015</u>	-72%
<b>Net position:</b>			
Net investment in capital assets	17,300,046	14,649,501	18%
Restricted	4,287,015	4,077,111	5%
Unrestricted	<u>(31,788,027)</u>	<u>(27,105,218)</u>	-17%
<b>Total net position (deficit)</b>	<u>\$(10,200,966)</u>	<u>\$ (8,378,606)</u>	-22%

Additional information on unrestricted net position:

In connection with the application of standards on accounting and financial reporting for pensions, management presents the following additional information:

Total unrestricted net position (deficit)	\$(31,788,026)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	<u>41,956,954</u>
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 10,168,928</u>

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 \$1,364,259.
- The principal retirement of \$4,069,992 of long-term debt.

**Clinton Public School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2016

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2016 and June 30, 2015 were \$45,179,132 and \$43,824,563, respectively. The total cost of all programs and services was \$47,001,492 for 2016 and \$41,029,020 for 2015.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2016 and June 30, 2015.

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

	<u>2016</u>	<u>2015</u>	<u>Percentage Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 1,479,811	\$ 1,516,663	-2%
Operating grants and contributions	<u>4,807,963</u>	<u>4,546,471</u>	6%
Total program revenues	<u>6,287,774</u>	<u>6,063,134</u>	4%
General revenues			
Property taxes	15,319,043	14,939,548	3%
Grants and contributions not restricted	22,496,394	21,167,610	6%
Unrestricted investment earnings	56,140	47,713	18%
Sixteenth section sources	391,476	517,839	-24%
Other	<u>628,305</u>	<u>1,088,719</u>	-42%
Total general revenues	<u>38,891,358</u>	<u>37,761,429</u>	3%
<b>Total revenues</b>	<u>45,179,132</u>	<u>43,824,563</u>	3%
<b>Expenses:</b>			
Instruction	22,220,532	21,706,229	2%
Support services	16,352,636	14,204,375	15%
Non-instructional	1,881,995	1,852,488	2%
Sixteenth section	48,465	70,536	-31%
Pension expense	5,443,391	2,032,043	168%
Interest and other costs on long-term liabilities	<u>1,054,473</u>	<u>1,163,349</u>	-9%
<b>Total expenses</b>	<u>47,001,492</u>	<u>41,029,020</u>	15%
<b>Change in net position</b>	(1,822,360)	2,795,543	-165%
<b>Net Position (Deficit), July 1, as previously reported</b>	(8,378,606)	30,163,634	-128%
<b>Prior period adjustment</b>	<u>-</u>	<u>(41,337,783)</u>	100%
<b>Net Position (Deficit), July 1, as restated</b>	<u>(8,378,606)</u>	<u>(11,174,149)</u>	25%
<b>Net Position (Deficit), June 30</b>	<u>\$ (10,200,966)</u>	<u>\$ (8,378,606)</u>	- 22%

**Governmental activities**

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

**Clinton Public School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2016

presents the financial burden that was placed on the State and District's taxpayers by each of these functions.

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

	<b>Total Expenses</b>		<b>Percentage Change</b>
	<b>2016</b>	<b>2015</b>	
Instruction	\$22,220,532	\$ 21,706,229	2%
Support services	16,352,636	14,204,375	15%
Non-instructional	1,881,995	1,852,488	2%
Sixteenth section	48,465	70,536	-31%
Pension expense	5,443,391	2,032,043	168%
Interest and other costs on long-term liabilities	<u>1,054,473</u>	<u>1,163,349</u>	-9%
<b>Net expenses</b>	<b><u>\$47,001,492</u></b>	<b><u>\$ 41,029,020</u></b>	15%

  

	<b>Net (Expense) Revenue</b>		<b>Percentage Change</b>
	<b>2016</b>	<b>2015</b>	
Instruction	\$(18,699,201)	\$ (18,280,015)	2%
Support services	(15,715,773)	(13,532,478)	16%
Non-instructional	247,585	112,535	120%
Sixteenth section	(48,465)	(70,536)	-31%
Pension expense	(5,443,391)	(2,032,043)	168%
Interest and other costs on long-term liabilities	<u>(1,054,473)</u>	<u>(1,163,349)</u>	9%
<b>Total net (expense) revenue</b>	<b><u>\$(40,713,718)</u></b>	<b><u>\$ (34,965,886)</u></b>	16%

- Net cost of governmental activities, (\$40,713,718) for 2016 and (\$34,965,886) for 2015 was financed by general revenue, which is made up of primarily property taxes (\$15,319,043 for 2016 and \$14,939,548 for 2015) and state and federal revenues (\$22,496,394 for 2016 and \$21,167,610 for 2015). In addition, there was \$391,476 and \$517,839 in Sixteenth Section sources for 2016 and 2015, respectively.
- Investment earnings amounted to \$56,140 for 2016 and \$47,713 for 2015.

## **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.



**Clinton Public School District**  
Management's Discussion and Analysis  
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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 \$14,890,289, a decrease of \$2,629,404, which includes the increase in inventory of \$12,456. \$7,778,543 or 52% 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 or assigned to specific purposes within the general fund. The remaining fund balance of \$289,214 or 2% is nonspendable, \$4,171,664 or 28% is restricted and \$2,650,868 or 18% is assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$3,375,651. The fund balance of Other Governmental Funds showed an increase in the amount of \$325,838, which includes an increase in inventory of \$12,456.

### **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, 2016, the District's total capital assets were \$78,340,660, including land, school buildings, building improvements, improvements other than buildings, mobile equipment, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$116,627 from 2015. Total accumulated depreciation as of June 30, 2016, was \$24,211,550, and total depreciation expense for the year was \$1,916,255, resulting in total net capital assets of \$54,129,110.

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

	<u><b>June 30, 2016</b></u>	<u><b>June 30, 2015</b></u>	<b>Percentage Change</b>
Land	\$ 226,710	\$ 226,710	0%
Buildings	44,257,315	45,387,282	-2%
Building improvements	190,568	203,000	-6%
Improvements other than buildings	7,536,317	7,949,813	-5%
Mobile equipment	1,737,958	1,579,257	10%
Furniture and equipment	<u>180,242</u>	<u>147,307</u>	22%
<b>Total</b>	<u><b>\$ 54,129,110</b></u>	<u><b>\$ 55,493,369</b></u>	-2%

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

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Management's Discussion and Analysis  
For the Year Ended June 30, 2016

**Debt Administration**

At June 30, 2016, the District had \$37,089,548 in outstanding long-term debt, of which \$4,116,367 is due within one year. The liability for compensated absences at June 30, 2016 was \$260,484, an increase of \$1,863 from the prior year. The District maintains an AA3 bond rating.

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

	<u><b>June 30, 2016</b></u>	<u><b>June 30, 2015</b></u>	<b>Percentage Change</b>
General obligation bonds payable	\$ 28,780,000	\$ 31,215,000	-8%
Premiums/Discounts	(275,940)	(331,128)	-17%
Three mill notes payable	7,000,000	7,310,000	-4%
Obligations under capital leases	1,325,004	2,649,996	-50%
Compensated absences payable	<u>260,484</u>	<u>258,621</u>	1%
<b>Total</b>	<u><b>\$ 37,089,548</b></u>	<u><b>\$ 41,102,489</b></u>	-10%

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 has developed and is maintaining a comprehensive facility study and plan to use as a guide for future improvements.

Enrollment for the 2015 - 2016 year increased by 3.6% to 5,086 students.

**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, 2016

Exhibit A

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 12,623,655
Due from other governments	895,838
Other receivables, net	19,662
Inventories	39,652
Prepaid items	12,378
Restricted assets	2,134,367
Capital assets, non-depreciable:	
Land	226,710
Capital assets, net of accumulated depreciation:	
Buildings	44,257,315
Building improvements	190,568
Improvements other than buildings	7,536,317
Mobile equipment	1,737,958
Furniture and equipment	180,242
Total Assets	<u>69,854,662</u>
<b>Deferred Outflows of Resources</b>	
Pension related	11,651,315
Total deferred outflows of resources	<u>11,651,315</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	801,565
Unearned revenue	33,698
Interest payable on long-term liabilities	173,863
Long-term liabilities, due within one year:	
Capital related liabilities	4,099,172
Non-capital related liabilities	17,195
Long-term liabilities, due beyond one year:	
Capital related liabilities	32,729,892
Non-capital related liabilities	243,289
Net pension liability	51,722,254
Total Liabilities	<u>89,820,928</u>
<b>Deferred Inflows of Resources</b>	
Pension related	1,886,015
Total deferred inflows of resources	<u>1,886,015</u>
<b>Net Position</b>	
Net investment in capital assets	17,300,046
Restricted for:	
Expendable:	
School-based activities	456,745
Debt service	3,410,806
Forestry improvements	93,893
Unemployment benefits	88,387
Non-expendable:	
Sixteenth section	237,184
Unrestricted	<u>(31,788,027)</u>
Total Net Position (deficit)	<u>\$ (10,200,966)</u>

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, 2016

Exhibit B

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction	\$ 22,220,532	792,030	2,729,301	(18,699,201)
Support services	16,352,636		636,863	(15,715,773)
Non-instructional	1,881,995	687,781	1,441,799	247,585
Sixteenth section	48,465			(48,465)
Pension expense	5,443,391			(5,443,391)
Interest and other costs on long term liabilities	1,054,473			(1,054,473)
Total Governmental Activities	<u>\$ 47,001,492</u>	<u>1,479,811</u>	<u>4,807,963</u>	<u>(40,713,718)</u>
General Revenues:				
Taxes:				
General purpose levies				11,759,963
Debt purpose levies				3,559,080
Unrestricted grants and contributions:				
State				22,372,646
Federal				123,748
Unrestricted investment earnings				56,140
Sixteenth section sources				391,476
Other				628,305
Total General Revenues				<u>38,891,358</u>
Change in Net Position				<u>(1,822,360)</u>
Net Position (deficit) - Beginning				<u>(8,378,606)</u>
Net Position (deficit) - Ending				<u>\$ (10,200,966)</u>

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

**Clinton Public School District**  
Balance Sheet - Governmental Funds  
June 30, 2016

Exhibit C

	Major Funds				
	General Fund	Title I Fund	QSCB Debt Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 10,434,056			2,435,618	12,869,674
Cash with fiscal agents	5,200		21,347		26,547
Investments			1,861,801		1,861,801
Due from other governments	528,178	111,325		256,335	895,838
Due from other funds	286,859				286,859
Inventories				39,652	39,652
Prepaid items	12,378				12,378
Total Assets	\$ 11,266,671	111,325	1,883,148	2,731,605	15,992,749
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 791,254			10,311	801,565
Due to other funds		111,325		155,872	267,197
Unearned revenue	33,628			70	33,698
Total Liabilities	824,882	111,325	-	166,253	1,102,460
<b>Fund Balances:</b>					
<b>Nonspendable</b>					
Inventory				39,652	39,652
Permanent fund principal				237,184	237,184
Prepaid items	12,378				12,378
<b>Restricted</b>					
Unemployment benefits				88,387	88,387
Forestry improvements				93,893	93,893
Debt service			1,883,148	1,701,521	3,584,669
Sixteenth section				8,835	8,835
Food service				395,880	395,880
<b>Assigned</b>					
Funding activity	2,000,000				2,000,000
Special activity	50,114				50,114
General activity	600,754				600,754
<b>Unassigned</b>					
	7,778,543				7,778,543
Total Fund Balances	10,441,789	-	1,883,148	2,565,352	14,890,289
Total Liabilities and Fund Balances	\$ 11,266,671	111,325	1,883,148	2,731,605	15,992,749

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

**Clinton Public School District**Exhibit C-1Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2016

	<u>Amount</u>
Total Fund Balances - Governmental Funds	\$ 14,890,289
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 \$24,211,550.	54,129,110
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(37,365,488)
3. Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Position recognizes interest as it accrues.	(173,863)
4. 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.	331,292
5. 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.	(55,352)
6. Recognition of the School District's proportionate share of the net pension liability is not reported in the funds.	(51,722,254)
7. Deferred inflows of resources related to PERS are not reported in the funds.	(1,886,015)
8. Deferred outflows of resources related to PERS are not reported in the funds.	11,651,315
Total Net Position - Governmental Activities	\$ <u>(10,200,966)</u>

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

**Clinton Public School District**Exhibit D

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

## Governmental Funds

For the Year Ended June 30, 2016

	Major Funds			Other	Total
	General	Title I	QSCB	Governmental	Governmental
	Fund	Fund	Debt	Funds	Funds
			Fund		
<b>Revenues:</b>					
Local sources	\$ 13,004,082		38,682	4,249,668	17,292,432
State sources	22,393,818			990,152	23,383,970
Federal sources	123,748	815,845		2,980,795	3,920,388
Sixteenth section sources	240,288			151,189	391,477
Total Revenues	<u>35,761,936</u>	<u>815,845</u>	<u>38,682</u>	<u>8,371,804</u>	<u>44,988,267</u>
<b>Expenditures:</b>					
Instruction	20,402,118	710,533		2,012,649	23,125,300
Support services	16,612,108	75,879		879,294	17,567,281
Noninstructional services	15,864	4,741		1,918,742	1,939,347
Sixteenth section	44,550			3,915	48,465
Facilities acquisition and construction	39,963				39,963
Debt service:					
Principal	1,324,992			2,745,000	4,069,992
Interest	39,040			990,324	1,029,364
Other				7,758	7,758
Total Expenditures	<u>38,478,635</u>	<u>791,153</u>	<u>-</u>	<u>8,557,682</u>	<u>47,827,470</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(2,716,699)</u>	<u>24,692</u>	<u>38,682</u>	<u>(185,878)</u>	<u>(2,839,203)</u>
<b>Other Financing Sources (Uses):</b>					
Insurance recovery	3,620				3,620
Sale of transportation equipment	2,858				2,858
Sale of other property	190,865				190,865
Operating transfers in	110,765			967,060	1,077,825
Other financing sources			381,727		381,727
Operating transfers out	(967,060)	(24,692)		(86,073)	(1,077,825)
Other financing uses				(381,727)	(381,727)
Total Other Financing Sources (Uses)	<u>(658,952)</u>	<u>(24,692)</u>	<u>381,727</u>	<u>499,260</u>	<u>197,343</u>
Net Change in Fund Balances	(3,375,651)	-	420,409	313,382	(2,641,860)
<b>Fund Balances:</b>					
July 1, 2015	13,817,440	-	1,462,739	2,239,514	17,519,693
Increase (decrease) in inventory				12,456	12,456
June 30, 2016	<u>\$ 10,441,789</u>	<u>-</u>	<u>1,883,148</u>	<u>2,565,352</u>	<u>14,890,289</u>

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



**Clinton Public School District**Exhibit D-1

Reconciliation of the Governmental Funds Statement of Revenues,  
Expenditures and Changes in Fund Balances to the Statement of Activities  
For the Year Ended June 30, 2016

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ (2,641,860)
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 \$583,895 and the depreciation expense amounted to \$1,916,255.	(1,332,360)
2. Disposals of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds.	(31,899)
3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when the debt is first issued. These amounts are deferred and amortized in the statement of activities.	
Payment of debt principal	4,069,992
Amortization of deferred premiums on refunding bonds	11,071
Amortization of deferred discount on refunding debt	(66,259)
Accrued interest payable	<u>37,837</u>
	4,052,641
4. Some items reported in the Statement of Net Activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:	
Change in compensated absences	(1,863)
Change in inventory	12,456
5. Pension contributions made after the measurement date were de-expensed and reduced NPL.	3,563,916
6. Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	<u>(5,443,391)</u>
Change in Net Position of Governmental Activities	\$ <u><u>(1,822,360)</u></u>

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

**Clinton Public School District**  
Statement of Fiduciary Assets and Liabilities  
June 30, 2016

**Exhibit E**

	Agency Funds
<b>Assets</b>	
Cash and cash equivalents	\$ <u>1,794,430</u>
Total Assets	\$ <u><u>1,794,430</u></u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 1,678,671
Due to other funds	19,662
Due to student clubs	<u>96,097</u>
Total Liabilities	\$ <u><u>1,794,430</u></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, 2016

**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, deferred outflows, liabilities, and deferred inflows 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 result 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, 2016

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

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

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

The school district reports the following major governmental funds:

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

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

QSCB Debt – This fund accounts for the resources and other financing uses to service debt payments.

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 raised through school club activities and fund raisers and club related expenditures approved by the individual clubs.

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

Additionally, the school district reports the following fund types:

## GOVERNMENTAL FUNDS

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

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 and interest.

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

## FIDUCIARY FUNDS

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, Basis of Accounting, and Financial Statement Presentation**

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

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

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

**Clinton Public School District**  
Notes to the Financial Statements  
For the Year Ended June 30, 2016

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.

**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, Cash equivalents and Investments  
Cash and cash equivalents

**Clinton Public School District**  
Notes to the Financial Statements  
For the Year Ended June 30, 2016

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.

#### 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.



**Clinton Public School District**  
Notes to the Financial Statements  
For the Year Ended June 30, 2016

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

5. Restricted Assets

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

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

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

**Clinton Public School District**  
Notes to the Financial Statements  
For the Year Ended June 30, 2016

(\*) 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 school district has a deferred outflow which is presented as a deferred outflow for pension.

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 school district has a deferred inflow which is presented as a deferred inflow for pension.

See Note 14 for details.

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).

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

9. Long-term Liabilities and Bond Discounts/Premiums

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

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are

**Clinton Public School District**  
Notes to the Financial Statements  
For the Year Ended June 30, 2016

reported as expenditures. See Note 6 for details.

10. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, the benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. Fund Balances

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

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

*Nonspendable fund balance* includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes 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.

*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

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

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

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.

**Investments.** Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposits or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interest in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration,

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not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Investment income of less than \$100 can be credited to the General Fund.

**Cash and Cash Equivalents**

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$12,869,674 and \$1,794,430, respectively. A portion of this amount, \$246,019, is presented as restricted assets on Exhibit A.

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. 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. 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, 2016, none of the district's bank balance of \$16,638,343 was exposed to custodial credit risk.

**Cash with Fiscal Agents**

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$26,547.

**Investments**

As of June 30, 2016, the district had the following investments with fiscal agents.

Investment	Rating	Maturity	Fair Value
BankPlus Sinking Fund			
Fiscal Agent for QSCB Loan – See Note 13	US Treasury Deposit	Various	\$ 1,861,801

The district categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The district has the following recurring fair value measurements as of June 30, 2016:

Level 1 type of investments of \$1,861,801 are valued using quoted market prices (Level 1 inputs)

*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

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interest rates.

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

*Custodial Credit Risk - Investments.* Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. Of the district's investments \$1,861,801 of underlying securities are held by the investment's counterparty, not in the name of the district.

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

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

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

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

Receivable Fund	Payable Fund	Amount
General Fund	Other Governmental Funds	\$ 155,872
General Fund	Title I Fund	111,325
General Fund	Fiduciary Funds	<u>19,662</u>
Total		<u>\$ 286,859</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**

Transfer Out	Transfer In	Amount
General Fund	Other Governmental Funds	\$ 967,060
Title I Fund	General Fund	24,692
Other Governmental Funds	General Fund	<u>86,073</u>
Total		<u>\$ 1,077,825</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.

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**Note 4 - Restricted Assets**

The restricted assets represent the cash balance totaling \$246,019 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 and investment balance, totaling \$21,347 and \$1,861,801, respectively, of the QSCB Debt Fund. \$5,200 is held for RefPay in Athletic Activity Fund (General Fund).

**Note 5 - Capital Assets**

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

	Balance 7-1-2015	Additions	Retirement	Balance 6-30-2016
Non-depreciable capital assets:				
Land	\$ 226,710	\$	\$	\$ 226,710
Total non-depreciable capital assets	<u>226,710</u>			<u>226,710</u>
Depreciable capital assets:				
Buildings	59,997,774			59,997,774
Building improvements	310,793			310,793
Improvement other than buildings	11,296,517	39,963		11,336,480
Mobile equipment	4,617,742	450,218	237,783	4,830,177
Furniture and equipment	1,774,497	93,714	229,485	1,638,726
Total depreciable capital assets	<u>77,997,323</u>	<u>583,895</u>	<u>467,268</u>	<u>78,113,950</u>
Less accumulated depreciation:				
Buildings	14,610,492	1,129,967		15,740,459
Building improvements	107,793	12,432		120,225
Improvement other than buildings	3,346,704	453,459		3,800,163
Mobile equipment	3,038,485	264,246	210,512	3,092,219
Furniture and equipment	1,627,190	56,151	224,857	1,458,484
Total accumulated depreciation	<u>22,730,664</u>	<u>1,916,255</u>	<u>435,369</u>	<u>24,211,550</u>
Total depreciable capital assets, net	<u>55,266,659</u>	<u>(1,332,360)</u>	<u>31,899</u>	<u>53,902,400</u>
Governmental activities capital assets, net	<u>\$ 55,493,369</u>	<u>\$ (1,332,360)</u>	<u>\$ 31,899</u>	<u>\$ 54,129,110</u>

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 1,595,277
Support services	299,206
Non-instructional	<u>21,772</u>
Total depreciation expense	<u>\$ 1,916,255</u>

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**Note 6 - Long-term Liabilities**

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

	Balance 7-1-2015	Additions	Reductions	Balance 6-30-2016	Amounts due within one year
A. General obligation bonds payable	\$ 31,215,000	\$	\$ 2,435,000	\$ 28,780,000	\$ 2,610,000
Premiums/Discounts	-331,128		-55,188	-275,940	-55,188
B. Three mill notes payable	7,310,000		310,000	7,000,000	320,000
C. Obligations under capital leases	2,649,996		1,324,992	1,325,004	1,224,360
D. Compensated absences payable	258,621	1,863		260,484	17,195
Total	<u>\$ 41,102,489</u>	<u>\$ 1,863</u>	<u>\$ 4,014,804</u>	<u>\$ 37,089,548</u>	<u>\$ 4,116,367</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	\$ 1,525,000
General Obligation Bonds, Series 2010	3.00-4.25%	12-23-10	06-01-30	14,000,000	11,005,000
General Obligation Bonds, Series 2011	2.50-3.25%	10-01-11	10-01-28	9,000,000	8,045,000
General Obligation Bonds, Series 2012	1.20-1.50%	05-30-12	06-01-18	500,000	150,000
General Obligation Bonds, Series 2012 – Refunded 2005	2.00-2.13%	05-30-12	03-15-22	<u>8,490,000</u>	<u>8,055,000</u>
Total				\$ <u>49,490,000</u>	\$ <u>28,780,000</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
2017	<u>\$ 1,525,000</u>	<u>\$ 61,000</u>	<u>\$ 1,586,000</u>



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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.

2. Bond issue of Series 2010:

Year Ending June 30	Principal	Interest	Total
2017	\$ 580,000	\$ 427,087	\$ 1,007,087
2018	605,000	402,437	1,007,437
2019	635,000	376,725	1,011,725
2020	665,000	349,737	1,014,737
2021	695,000	321,475	1,016,475
2022 – 2026	3,960,000	1,165,575	5,125,575
2027 – 2030	3,865,000	345,450	4,210,450
Total	<u>\$ 11,005,000</u>	<u>\$ 3,388,486</u>	<u>\$ 14,393,486</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:

Year Ending June 30	Principal	Interest	Total
2017	\$ 325,000	\$ 209,819	\$ 534,819
2018	360,000	199,544	559,544
2019	360,000	188,744	548,744
2020	400,000	178,344	578,344
2021	425,000	168,031	593,031
2022 – 2026	3,275,000	620,265	3,895,265
2027 - 2029	2,900,000	127,875	3,027,875
Total	<u>\$ 8,045,000</u>	<u>\$ 1,692,622</u>	<u>\$ 9,737,622</u>

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

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4. Bond issue of Series 2012:

Year Ending June 30	Principal	Interest	Total
2017	\$ 80,000	\$ 6,000	\$ 86,000
2018	70,000	3,500	73,500
Total	<u>\$ 150,000</u>	<u>\$ 9,500</u>	<u>\$ 159,500</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:

Year Ending June 30	Principal	Interest	Total
2017	\$ 100,000	\$ 162,287	\$ 262,287
2018	1,705,000	160,288	1,865,288
2019	1,775,000	126,187	1,901,187
2020	1,845,000	90,688	1,935,688
2021	1,680,000	53,787	1,733,787
2022	950,000	20,188	970,188
Total	<u>\$ 8,055,000</u>	<u>\$ 613,425</u>	<u>\$ 8,668,425</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.

Net discounts and premiums on refunding debt:

Year Ending June 30	Net
2017	\$ 55,188
2018	55,188
2019	55,188
2020	55,188
2021	55,188
Total	<u>\$ 275,940</u>

The total general obligation bond payments for all issues:

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Year Ending June 30	Principal	Interest	Total
2017	\$ 2,610,000	\$ 866,193	\$ 3,476,193
2018	2,740,000	765,769	3,505,769
2019	2,770,000	691,656	3,461,656
2020	2,910,000	618,769	3,528,769
2021	2,800,000	543,293	3,343,293
2022 – 2026	8,185,000	1,806,028	9,991,028
2027 - 2030	6,765,000	473,325	7,238,325
Total	<u>\$ 28,780,000</u>	<u>\$ 5,765,033</u>	<u>\$ 34,545,033</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, 2016 the amount of outstanding bonded indebtedness was equal to 11.3% of property assessments as of October 1, 2015.

**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:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill note, Series 2008	3.63%	12-05-08	12-05-18	\$ 2,935,000	\$ 1,000,000
Three mill note, Series 2010	0%	12-16-10	12-01-25	<u>6,000,000</u>	<u>6,000,000</u>
Total				\$ <u>8,935,000</u>	\$ <u>7,000,000</u>

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

1. Three mill notes payable issue of 2008:

Year Ending June 30	Principal	Interest	Total
2017	\$ 320,000	\$ 30,492	\$ 350,492
2018	335,000	18,603	353,603
2019	345,000	6,262	351,262
Total	<u>\$ 1,000,000</u>	<u>\$ 55,357</u>	<u>\$ 1,055,357</u>

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

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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 entered into a lease agreement as lessee for financing the acquisition of computers and computer equipment at a cost of \$397,283 with a down payment of \$103,442 in 2014 - 2015 and \$4,251,758 with a down payment of \$1,083,463 in 2013 - 2014. These leases qualify as capital leases 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.

Capital leases currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Capital lease, March 2013 Issue	2.127%	03-25-13	07-25-16	\$ 224,389	\$ 56,776
Capital lease, July 2013 Issue	1.29%	07-25-13	07-25-16	4,251,758	1,069,662
Capital lease, July 2014 Issue	2.78%	07-25-14	07-25-17	<u>397,283</u>	<u>198,566</u>
Total				\$ <u>4,873,430</u>	\$ <u>1,325,004</u>

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

1. Capital lease issue of March 2013:

Year Ending	Principal	Interest	Total
June 30			
2017	\$ <u>56,776</u>	\$ <u>1,208</u>	\$ <u>57,984</u>

This debt will be retired from the District Maintenance Fund.

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2. Capital lease issue of July 2013:

Year Ending June 30	Principal	Interest	Total
2017	\$ 1,069,662	\$ 13,799	\$ 1,083,461

This debt will be retired from the District Maintenance Fund.

3. Capital lease issue of July 2014:

Year Ending June 30	Principal	Interest	Total
2017	\$ 97,922	\$ 5,520	\$ 103,442
2018	100,644	2,798	103,442
Total	\$ 198,566	\$ 8,318	\$ 206,884

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
2017	\$ 1,224,360	\$ 20,527	\$ 1,244,887
2018	100,644	2,798	103,442
Total	\$ 1,325,004	\$ 23,325	\$ 1,348,329

**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**

Operating leases:

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

Lease expenditures for the year ended June 30, 2016, amounted to \$53,646. Future lease payments for these leases are as follows:

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Year Ending June 30	Amount
2017	\$ 53,645
2018	53,646
2019	30,832
Total	<u>\$ 138,123</u>

**Note 8 - Defined Benefit Pension Plan**

**General Information about the 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. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the 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.

*Benefits provided.* Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

*Contributions.* PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2016 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to

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determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2016, 2015 and 2014 were \$3,563,916, \$3,292,346 and \$2,949,671, respectively, which equaled the required contributions for each year.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2016, the school district reported a liability of \$51,722,254 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The school district's proportion share used to calculate the June 30, 2016 net pension liability was 0.334598 percent, which was based on a measurement date of June 30, 2015. This was an increase of 0.028109 from its proportionate share used to calculate the June 30, 2015 net pension liability, which was based on a measurement date of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$5,443,391. At June 30, 2016 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,376,322	\$
Net difference between projected and actual earnings on pension plan investments	4,455,696	2,366,420
Changes of assumptions		
Changes in proportion and differences between District contributions and proportionate share of contributions	2,255,381	-480,405
District contributions subsequent to the measurement date	3,563,916	
Total	\$ <u>11,651,315</u>	\$ <u>1,886,015</u>

\$3,563,916 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ 1,966,332
2017	2,027,658
2018	1,450,816
2019	<u>756,578</u>
Total	\$ <u>6,201,384</u>

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*Actuarial assumptions.* The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.75 – 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2016, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Broad	34 %	5.20 %
International Equity	19	5.00
Emerging Markets Equity	8	5.45
Fixed Income	20	0.25
Real Assets	10	4.00
Private Equity	8	6.15
Cash	1	(0.50)
Total	<u>100 %</u>	

*Discount rate.* The discount rate used to measure the total pension liability was 7.75 percent, a decrease of 0.25 percentage points since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.* The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:



**Clinton Public School District**  
Notes to the Financial Statements  
For the Year Ended June 30, 2016

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ <u>68,174,667</u>	\$ <u>51,722,254</u>	\$ <u>38,069,824</u>

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

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

Year Ending June 30	Amount
2017	\$ 149,015
2018	106,304
2019	105,746
2020	99,498
2021	68,435
2022– 2026	324,975
2027– 2031	230,645
2032– 2036	53,685
2037– 2041	16,825
Thereafter	<u>13,895</u>
Total	\$ <u>1,169,023</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

**Clinton Public School District**  
Notes to the Financial Statements  
For the Year Ended June 30, 2016

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 - Insurance Loss Recoveries**

The Clinton Public School District received \$3,620 in insurance loss recoveries related to property damage claims during the 2015-2016 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as support services.

**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. The amount on deposit at June 30, 2016 was \$1,883,148. The amount in the sinking fund at the end of the 17-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 to be made to the sinking fund by the school district.

**Clinton Public School District**  
Notes to the Financial Statements  
For the Year Ended June 30, 2016

Year Ending June 30	Amount
2017	\$ 415,000
2018	415,000
2019	415,000
2020	415,000
2021	415,000
2022 - 2026	<u>2,080,000</u>
Total	<u>\$ 4,155,000</u>

**Note 14 - Effects of Deferred Amounts on Net Position**

The unrestricted net position amount of (\$31,788,027) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$11,651,315 balance of deferred outflow of resources, at June 30, 2016 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$31,788,027) includes the effect of deferring the recognition of revenues resulting from a deferred inflow from pensions. The \$1,886,015 balance of deferred inflow of resources at June 30, 2016 will be recognized as revenue and will increase the unrestricted net position over the next 4 years.

**Note 15 - 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 the district through the date the financial statements were available to be issued, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements:

The school district entered into a lease agreement dated August 5, 2016 as lessee for financing the acquisition of computer equipment at .39% interest at a cost of \$1,825,725 with a down payment of \$458,093.

The school district sold used Apple computers equipment on August 31, 2016 for \$232,811.

## REQUIRED SUPPLEMENTARY INFORMATION

**Clinton Public School District**  
Budgetary Comparison Schedule  
General Fund  
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 13,113,615	13,182,212	13,004,082	68,597	(178,130)
State sources	22,739,557	22,381,212	22,393,818	(358,345)	12,606
Federal sources	125,000	137,894	123,748	12,894	(14,146)
Sixteenth section sources		242,000	240,288	242,000	(1,712)
Total Revenues	<u>35,978,172</u>	<u>35,943,318</u>	<u>35,761,936</u>	<u>(34,854)</u>	<u>(181,382)</u>
<b>Expenditures:</b>					
Instruction	20,313,362	20,389,721	20,402,118	(76,359)	(12,397)
Support services	15,910,046	16,897,683	16,612,108	(987,637)	285,575
Noninstructional services	24,000	24,000	15,864	-	8,136
Sixteenth section	-	45,303	44,550	(45,303)	753
Facilities acquisition and construction			39,963	-	(39,963)
Debt service:					
Principal	1,324,992	1,324,992	1,324,992	-	-
Interest	39,037	39,037	39,040	-	(3)
Total Expenditures	<u>37,611,437</u>	<u>38,720,736</u>	<u>38,478,635</u>	<u>(1,109,299)</u>	<u>242,101</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(1,633,265)</u>	<u>(2,777,418)</u>	<u>(2,716,699)</u>	<u>(1,144,153)</u>	<u>60,719</u>
<b>Other Financing Sources (Uses):</b>					
Insurance recovery	-	3,620	3,620	3,620	-
Sale of transportation equipment	-	2,858	2,858	2,858	-
Sale of other property	-	191,001	190,865	191,001	(136)
Operating transfers in	7,221,490	8,082,159	110,765	860,669	(7,971,394)
Operating transfers out	(8,475,773)	(8,922,271)	(967,060)	(446,498)	7,955,211
Total Other Financing Sources (Uses)	<u>(1,254,283)</u>	<u>(642,633)</u>	<u>(658,952)</u>	<u>611,650</u>	<u>(16,319)</u>
Net Change in Fund Balances	(2,887,548)	(3,420,051)	(3,375,651)	(532,503)	44,400
<b>Fund Balances:</b>					
July 1, 2015	<u>11,760,422</u>	<u>13,817,440</u>	<u>13,817,440</u>	<u>2,057,018</u>	<u>-</u>
June 30, 2016	<u>\$ 8,872,874</u>	<u>10,397,389</u>	<u>10,441,789</u>	<u>1,524,515</u>	<u>44,400</u>

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

**Clinton Public School District**  
 Budgetary Comparison Schedule  
 Title I Fund  
 For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 935,024	1,208,323	815,845	273,299	(392,478)
Total Revenues	<u>935,024</u>	<u>1,208,323</u>	<u>815,845</u>	<u>273,299</u>	<u>(392,478)</u>
<b>Expenditures:</b>					
Instruction	777,154	1,016,522	710,533	(239,368)	305,989
Support services	131,370	134,824	75,879	(3,454)	58,945
Noninstructional services	7,500	15,000	4,741	(7,500)	10,259
Total Expenditures	<u>916,024</u>	<u>1,166,346</u>	<u>791,153</u>	<u>(250,322)</u>	<u>375,193</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>19,000</u>	<u>41,977</u>	<u>24,692</u>	<u>22,977</u>	<u>(17,285)</u>
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	(19,000)	(41,977)	(24,692)	(22,977)	17,285
Total Other Financing Sources (Uses)	<u>(19,000)</u>	<u>(41,977)</u>	<u>(24,692)</u>	<u>(22,977)</u>	<u>17,285</u>
Net Change in Fund Balances	-	-	-	-	-
<b>Fund Balances:</b>					
July 1, 2015	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
June 30, 2016	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

**Clinton Public School District**

## Schedule of the District's Proportionate Share of the Net Pension Liability

## PERS

## Last 10 Fiscal Years\*

	2016	2015
District's proportion of the net pension liability (asset)    \$	51,722,254	37,202,153
District's proportionate share of the net pension liability (asset)	0.334598%	0.306489%
District's covered - employee payroll	20,903,784	18,728,070
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	247.43%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	61.70%	67.21%

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

\* The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the year prior to the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

**Clinton Public School District**  
Schedule of District Contributions  
PERS  
Last 10 Fiscal Years\*

		<u>2016</u>	<u>2015</u>
Contractually required contribution	\$	3,563,916	3,292,346
Contributions in relation to the contractually required contribution		3,563,916	3,292,346
Contribution deficiency (excess)	\$	<u>-</u>	<u>-</u>
District's covered - employee payroll		22,628,038	20,903,784
Contributions as a percentage of covered - employee payroll		15.75%	15.75%

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



## NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

## Clinton Public School District

### Notes to the Required Supplementary Information For the Year Ended June 30, 2016

#### 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 a major Special Revenue Fund consistent with accounting principles generally accepted in the United States of America.

#### Pension Schedules

(1) Changes of benefit terms

None.

(2) Changes of assumptions

In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75% respectively.

## SUPPLEMENTARY INFORMATION

**Clinton Public School District****Schedule 1**

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2016

FEDERAL GRANTOR/  
PASS-THROUGH GRANTOR/  
PROGRAM TITLE

Catalog of  
Federal  
Domestic  
Assistance  
Number

Federal  
Expenditures

**U. S. DEPARTMENT OF AGRICULTURE**

Passed-through the Mississippi Department of Education:

Child Nutrition Cluster:

School Breakfast Program	10.553	\$ 192,528
National School Lunch Program	10.555	1,390,001
Total Child Nutrition Cluster		<u>1,582,529</u>
Total passed-through Mississippi Department of Education		<u>1,582,529</u>
<b>Total U. S. Department of Agriculture</b>		<u><u>1,582,529</u></u>

**FEDERAL COMMUNICATIONS COMMISSION**

Administered through Universal Service Administrative Company:

The School and Libraries Program of the Universal Service Fund	32.xxx	123,748
<b>Total Federal Communications Commission</b>		<u><u>123,748</u></u>

**U. S. DEPARTMENT OF EDUCATION**

Passed-through the Mississippi Department of Education:

Title I Grants to Local Educational Agencies	84.010	815,845
Career and Technical Education - Basic Grants to States	84.048	47,198
English Language Acquisition Grants	84.365	40,048
Supporting Effective Instruction State Grant	84.367	239,933
Subtotal		<u><u>1,143,024</u></u>

Special Education Cluster:

Special Education - Grants to States	84.027	1,052,758
Special Education - Preschool Grants	84.173	18,330
Total Special Education Cluster		<u>1,071,088</u>
Total passed-through the Mississippi Department of Education		<u>2,214,112</u>
<b>Total U. S. Department of Education</b>		<u><u>2,214,112</u></u>

<b>TOTAL FOR ALL FEDERAL AWARDS</b>		<u><u>\$ 3,920,389</u></u>
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**Notes to Schedule**

1. This schedule was prepared using the same basis of accounting and 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. The School District did not elect to use the 10% de minimus indirect cost rate.

**Clinton Public School District**

## Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2016

<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	\$ 30,506,963	23,287,005	1,358,865	2,232,123	3,628,970
Other	<u>17,320,507</u>	<u>2,185,464</u>	<u>255,735</u>	<u>67,980</u>	<u>14,811,328</u>
Total	<u>\$ 47,827,470</u>	<u>25,472,469</u>	<u>1,614,600</u>	<u>2,300,103</u>	<u>18,440,298</u>
Total number of students*	<u>5,086</u>				
Cost per student	\$ <u>9,404</u>	<u>5,008</u>	<u>317</u>	<u>453</u>	<u>3,626</u>

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

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

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

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

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

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

## OTHER INFORMATION

**Clinton Public School District**

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

**"UNAUDITED"**

## General Fund

## Last Four Years

	2016	2015*	2014*	2013*
<b>Revenues:</b>				
Local sources	\$ 13,004,082	12,761,203	12,203,173	11,656,569
State sources	22,393,818	21,094,441	19,545,348	18,771,506
Federal sources	123,748	125,545	53,073	134,443
Sixteenth section sources	240,288	468,724		
Total Revenues	<u>35,761,936</u>	<u>34,449,913</u>	<u>31,801,594</u>	<u>30,562,518</u>
<b>Expenditures:</b>				
Instruction	20,402,118	19,899,884	22,130,865	18,059,623
Support services	16,612,108	14,107,098	15,202,604	12,142,263
Noninstructional services	15,864	15,717	18,425	12,166
Sixteenth section	44,550	58,158		
Facilities acquisition and construction	39,963	26,605		
Debt service:				
Principal	1,324,992	1,317,500	1,257,035	119,147
Interest	39,040	46,529	3,557	
Total Expenditures	<u>38,478,635</u>	<u>35,471,491</u>	<u>38,612,486</u>	<u>30,333,199</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(2,716,699)</u>	<u>(1,021,578)</u>	<u>(6,810,892)</u>	<u>229,319</u>
<b>Other Financing Sources (Uses):</b>				
Insurance recovery	3,620	1,150	4,365,948	1,018,450
Inception of capital leases		397,283	4,251,758	694,637
Sale of transportation equipment	2,858	5,200		
Sale of other property	190,865	775,000		
Operating transfers in	110,765	119,995	91,967	90,857
Operating transfers out	(967,060)	(947,015)	(835,010)	(1,023,909)
Total Other Financing Sources (Uses)	<u>(658,952)</u>	<u>351,613</u>	<u>7,874,663</u>	<u>780,035</u>
Net Change in Fund Balances	<u>(3,375,651)</u>	<u>(669,965)</u>	<u>1,063,771</u>	<u>1,009,354</u>
<b>Fund Balances:</b>				
July 1, as previously reported	13,817,440	11,755,464	10,691,693	9,682,339
Fund reclassification		2,731,941		
July 1, as restated	<u>13,817,440</u>	<u>14,487,405</u>	<u>10,691,693</u>	<u>9,682,339</u>
June 30	<u>\$ 10,441,789</u>	<u>13,817,440</u>	<u>11,755,464</u>	<u>10,691,693</u>

\* SOURCE - PRIOR YEAR AUDIT REPORTS ADJUSTED FOR 16TH SECTION INTEREST

**Clinton Public School District**

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

"UNAUDITED"

## All Governmental Funds

## Last Four Years

	2016	2015 *	2014 *	2013 *
<b>Revenues:</b>				
Local sources	\$ 17,292,432	16,922,030	15,970,155	15,082,159
State sources	23,383,970	22,012,778	20,385,200	19,529,653
Federal sources	3,920,388	3,701,305	3,449,803	3,465,873
Sixteenth section sources	391,477	517,838	573,692	225,290
Total Revenues	<u>44,988,267</u>	<u>43,153,951</u>	<u>40,378,850</u>	<u>38,302,975</u>
<b>Expenditures:</b>				
Instruction	23,125,300	22,427,072	24,452,826	20,340,430
Support services	17,567,281	15,102,858	17,035,849	14,089,132
Noninstructional services	1,939,347	1,887,367	1,806,906	2,013,961
Sixteenth section	48,465	70,536	55,725	45,953
Facilities acquisitions & construction	39,963	26,605	49,867	1,101,465
Debt service:				
Principal	4,069,992	3,902,500	3,347,035	2,044,147
Interest	1,029,364	1,128,356	1,150,192	1,293,484
Other	7,758	7,628	6,643	6,114
Total Expenditures	<u>47,827,470</u>	<u>44,552,922</u>	<u>47,905,043</u>	<u>40,934,686</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(2,839,203)</u>	<u>(1,398,971)</u>	<u>(7,526,193)</u>	<u>(2,631,711)</u>
<b>Other Financing Sources (Uses):</b>				
Inception of capital leases		397,283	4,251,758	694,637
Insurance recovery	3,620	1,150	4,365,948	1,018,450
Sale of transportation equipment	2,858	5,200		
Sale of other property	190,865	775,000		
Operating transfers in	1,077,825	1,067,010	926,977	1,114,766
Other financing sources	381,727	402,089	408,200	350,000
Operating transfers out	(1,077,825)	(1,067,010)	(926,977)	(1,114,766)
Other financing uses	(381,727)	(402,089)	(408,200)	(347,217)
Total Other Financing Sources (Uses)	<u>197,343</u>	<u>1,178,633</u>	<u>8,617,706</u>	<u>1,715,870</u>
Net Change in Fund Balances	<u>(2,641,860)</u>	<u>(220,338)</u>	<u>1,091,513</u>	<u>(915,841)</u>
<b>Fund Balances:</b>				
July 1	17,519,693	17,754,570	16,686,184	17,590,491
Increase (decrease) in inventory	<u>12,456</u>	<u>(14,539)</u>	<u>(23,127)</u>	<u>11,534</u>
June 30	<u>\$ 14,890,289</u>	<u>17,519,693</u>	<u>17,754,570</u>	<u>16,686,184</u>

\* SOURCE - PRIOR YEAR AUDIT REPORTS



## REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF 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 Clinton Public School District, as of and for the year ended June 30, 2016, 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 November 28, 2016.

**Internal Control Over Financial Reporting**

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

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## **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.

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
November 28, 2016

Certified Public Accountants

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

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 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, 2016. The Clinton Public School District's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the school district's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the school district's compliance.

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## Opinion on Each Major Federal Program

In our opinion, the 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, 2016.

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *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 the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
November 28, 2016

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Clinton Public School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clinton Public School District as of and for the year ended June 30, 2016, which collectively comprise Clinton Public School District's basic financial statements and have issued our report thereon dated November 28, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$0 of classroom supply funds carried over from previous years.

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

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

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

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

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies, 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. However, this report is a matter of public record and its distribution is not limited.

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
November 28, 2016

Certified Public Accountants



## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## Clinton Public School District

### Schedule of Findings and Questioned Costs For the Year Ended June 30, 2016

#### 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? No.
  - b. Significant deficiency(ies) identified? None reported.
3. Noncompliance material to financial statements noted? No.

##### Federal Awards:

4. Internal control over major programs:
  - a. Material weakness(es) identified? No.
  - b. Significant deficiency(ies) identified? 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? No.
7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553 & 10.555	Child Nutrition Cluster

8. Dollar threshold used to distinguish between type A and type B programs: \$750,000.
9. Auditee qualified as low-risk auditee? Yes.

#### 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 by *Government Auditing Standards*.

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

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