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CLINTON PUBLIC SCHOOL DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2017

CLINTON PUBLIC SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT



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### INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board  
Clinton Public School District

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clinton Public School District as of and for the year ended June 30, 2017, 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 our opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

#### ***Opinion***

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, 2017, 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 4-12 and 43-49 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 October 31, 2017, 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.

McKenzie CPA, PLLC  
Brandon, Mississippi  
October 31, 2017

A handwritten signature in blue ink that reads "McKenzie CPA, PLLC". The signature is written in a cursive, flowing style.

## MANAGEMENT'S DISCUSSION AND ANALYSIS



CLINTON PUBLIC SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2017

The following discussion and analysis of Clinton Public School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2017. 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 2017 increased \$4,100,129, including a prior period adjustment of \$1,824,448, which represents a 40.19% increase from fiscal year 2016. Total net position for 2016 decreased \$1,822,360, which represents a 22% decrease from fiscal year 2015.
- General revenues amounted to \$46,269,232 and \$38,891,358, or 88% and 86% of all revenues for fiscal years 2017 and 2016, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$6,070,333, or 12% of total revenues for 2017, and \$6,287,774, or 14% of total revenues for 2016.
- The District had \$50,063,884 and \$47,001,492 in expenses for fiscal years 2017 and 2016; only \$6,070,333 for 2017 and \$6,287,774 for 2016 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$46,269,232 for 2017 were adequate to provide for these programs. However, \$38,891,358 for 2016 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$38,443,297 in revenues and \$38,838,722 in expenditures for 2017, and \$35,761,936 in revenues and \$38,478,635 in expenditures in 2016. The General Fund's fund balance increased by \$799,522 from 2016 to 2017, and decreased by \$3,375,651 from 2015 to 2016.
- Capital assets, net of accumulated depreciation, increased by \$974,775 for 2017 and decreased by \$1,364,259 for 2016. The increase for 2017 was due to the increase in improvements other than buildings.
- Long-term debt decreased by \$4,612,143 for 2017 and decreased by \$4,069,992 for 2016. This decrease for 2017 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences increased by \$8,569 for 2017 and increased by \$1,863 for 2016.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

### **Government-wide Financial Statements**

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

The Statement of Net Position presents information on all the District's non-fiduciary 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

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Management's Discussion and Analysis  
For the Year Ended June 30, 2017

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.

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:

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Management's Discussion and Analysis  
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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.

A net pension liability results in a liability on the government-wide financial statements but is not reported on 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 New 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.

### **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 \$6,100,837 as of June 30, 2017.

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.

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Table 1 presents a summary of the District's net position at June 30, 2017 and June 30, 2016.

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

|   | <u>June 30, 2017</u>         | <u>June 30, 2016</u>          | <u>Percentage<br/>Change</u> |
|---|------------------------------|-------------------------------|------------------------------|
| Current assets                            | \$ 14,214,563                | \$ 13,591,185                 | 4.59 %                       |
| Restricted assets                         | 7,013,090                    | 2,134,367                     | 228.58 %                     |
| Capital assets, net                       | 55,103,885                   | 54,129,110                    | 1.80 %                       |
| <b>Total assets</b>                       | <b><u>76,331,538</u></b>     | <b><u>69,854,662</u></b>      | <b>9.27 %</b>                |
| <br><b>Deferred outflows of resources</b> | <br><b><u>16,337,270</u></b> | <br><b><u>11,651,315</u></b>  | <br><b>40.22 %</b>           |
| <br>Current liabilities                   | <br>452,567                  | <br>1,009,126                 | <br>(55.15) %                |
| Long-term debt outstanding                | 34,586,409                   | 37,089,548                    | (6.75) %                     |
| Net pension liability                     | 63,182,510                   | 51,722,254                    | 22.16 %                      |
| <b>Total liabilities</b>                  | <b><u>98,221,486</u></b>     | <b><u>89,820,928</u></b>      | <b>9.35 %</b>                |
| <br><b>Deferred inflows of resources</b>  | <br><b><u>548,159</u></b>    | <br><b><u>1,886,015</u></b>   | <br><b>(70.94) %</b>         |
| <br><b>Net position:</b>                  |                              |                               |                              |
| Net investment in capital assets          | 20,786,529                   | 17,300,046                    | 20.15 %                      |
| Restricted                                | 9,551,470                    | 4,287,015                     | 122.80 %                     |
| Unrestricted                              | (36,438,836)                 | (31,788,027)                  | (14.63) %                    |
| <b>Total net position</b>                 | <b><u>\$ (6,100,837)</u></b> | <b><u>\$ (10,200,966)</u></b> | <b>40.19 %</b>               |

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)   | (\$36,438,836)              |
| Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions | 47,393,399                  |
| Unrestricted net position, exclusive of the net pension liability effect  | <u><u>\$ 10,954,563</u></u> |

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

- Increase in net capital assets in the amount of \$974,775.
- The principal retirement of \$4,612,143 of long-term debt.

CLINTON PUBLIC SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2017

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2017 and June 30, 2016 were \$52,339,565 and \$45,179,132, respectively. The total cost of all programs and services was \$50,063,884 for 2017 and \$47,001,492 for 2016.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2017 and June 30, 2016.

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

|   | <u>Year Ended<br/>June 30, 2017</u> | <u>Year Ended<br/>June 30, 2016</u> | <u>Percentage<br/>Change</u> |
|---|-------------------------------------|-------------------------------------|------------------------------|
| <b>Revenues:</b>                                    |                                     |                                     |                              |
| Program revenues:                                   |                                     |                                     |                              |
| Charges for services                                | \$ 1,430,984                        | \$ 1,479,811                        | (3.30) %                     |
| Operating grants and contributions                  | 4,639,349                           | 4,807,963                           | (3.51) %                     |
| General revenues:                                   |                                     |                                     |                              |
| Property taxes                                      | 16,561,999                          | 15,319,043                          | 8.11 %                       |
| Grants and contributions not restricted             | 24,077,849                          | 22,496,394                          | 7.03 %                       |
| Investment earnings                                 | 74,941                              | 56,140                              | 33.49 %                      |
| Sixteenth section sources                           | 4,773,255                           | 391,476                             | 1,119.30 %                   |
| Other   | 781,188                             | 628,305                             | 24.33 %                      |
| <b>Total revenues</b>                               | <u><b>52,339,565</b></u>            | <u><b>45,179,132</b></u>            | <b>15.85 %</b>               |
| <b>Expenses:</b>                                    |                                     |                                     |                              |
| Instruction   | 23,910,447                          | 22,220,532                          | 7.61 %                       |
| Support services                                    | 14,055,256                          | 16,352,636                          | (14.05) %                    |
| Non-instructional                                   | 2,080,179                           | 1,881,995                           | 10.53 %                      |
| Sixteenth section                                   | 77,415                              | 48,465                              | 59.73 %                      |
| Pension expense                                     | 9,051,828                           | 5,443,391                           | 66.29 %                      |
| Interest on long-term liabilities                   | 888,759                             | 1,054,473                           | (15.72) %                    |
| <b>Total expenses</b>                               | <u><b>50,063,884</b></u>            | <u><b>47,001,492</b></u>            | <b>6.52 %</b>                |
| <b>Increase (Decrease) in net position</b>          | <u><b>2,275,681</b></u>             | <u><b>(1,822,360)</b></u>           | <b>224.88 %</b>              |
| <b>Net Position, July 1, as previously reported</b> | <u><b>(10,200,966)</b></u>          | <u><b>(8,378,606)</b></u>           | (21.75) %                    |
| <b>Prior Period Adjustment</b>                      | <u><b>1,824,448</b></u>             | <u><b>-</b></u>                     | N/A %                        |
| <b>Net Position, July 1, as restated</b>            | <u><b>(8,376,518)</b></u>           | <u><b>(8,378,606)</b></u>           | <b>0.02 %</b>                |
| <b>Net Position, June 30</b>                        | <u><b>\$ (6,100,837)</b></u>        | <u><b>\$ (10,200,966)</b></u>       | <b>40.19 %</b>               |

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

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

|                                   | <b>Total Expenses</b> |                      | <b>Percentage</b> |
|-----------------------------------|-----------------------|----------------------|-------------------|
|                                   | <b>2017</b>           | <b>2016</b>          | <b>Change</b>     |
| Instruction                       | \$ 23,910,447         | \$ 22,220,532        | 7.61 %            |
| Support services                  | 14,055,256            | 16,352,636           | (14.05) %         |
| Non-instructional                 | 2,080,179             | 1,881,995            | 10.53 %           |
| Sixteenth section                 | 77,415                | 48,465               | 59.73 %           |
| Pension Expense                   | 9,051,828             | 5,443,391            | 66.29 %           |
| Interest on long-term liabilities | 888,759               | 1,054,473            | (15.72) %         |
| <b>Total expenses</b>             | <b>\$ 50,063,884</b>  | <b>\$ 47,001,492</b> | <b>6.52 %</b>     |

  

|                                    | <b>Net (Expense) Revenue</b> |                        | <b>Percentage</b> |
|------------------------------------|------------------------------|------------------------|-------------------|
|                                    | <b>2017</b>                  | <b>2016</b>            | <b>Change</b>     |
| Instruction                        | \$ (20,793,704)              | \$ (18,699,201)        | 11.20 %           |
| Support services                   | (13,259,922)                 | (15,715,773)           | (15.63) %         |
| Non-instructional                  | 75,009                       | 247,585                | (69.70) %         |
| Sixteenth section                  | (74,347)                     | (48,465)               | 53.40 %           |
| Pension Expense                    | (9,051,828)                  | (5,443,391)            | 66.29 %           |
| Interest on long-term liabilities  | (888,759)                    | (1,054,473)            | (15.72) %         |
| <b>Total net (expense) revenue</b> | <b>\$ (43,993,551)</b>       | <b>\$ (40,713,718)</b> | <b>8.06 %</b>     |

- Net cost of governmental activities (\$43,993,551) for 2017 and (\$40,713,718) for 2016 was financed by general revenue, which is primarily made up of property taxes (\$16,561,999 for 2017 and \$15,319,043 for 2016) and state and federal revenues (\$24,077,849 for 2017 and \$22,496,394 for 2016). In addition, there was \$4,773,255 and \$391,476 in Sixteenth Section sources for 2017 and 2016, respectively.
- Investment earnings amounted to \$74,941 for 2017 and \$56,140 for 2016.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$20,915,589, an increase in inventory of \$7,048. \$8,472,870 or 41% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$12,442,719 or 59% is either non-spendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

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The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$799,522. The fund balance of Other Governmental Funds showed an increase in the amount of \$4,762,356. The increase/decrease in the fund balances for the other major funds were as follows:

| <u>Major Fund</u>      |    | <u>Increase (Decrease)</u> |
|------------------------|----|----------------------------|
| Title I Fund           | \$ | no increase or decrease    |
| IDEA Fund              | \$ | no increase or decrease    |
| Building Projects Fund | \$ | no increase or decrease    |
| QSCB Refunding Fund    | \$ | 463,422                    |

## BUDGETARY HIGHLIGHTS

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

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

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2017, the District's total capital assets were \$81,178,261, including land, school buildings, building improvements, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$2,837,601 from 2016. Total accumulated depreciation as of June 30, 2017, was \$26,074,376, and total depreciation expense for the year was \$2,044,983, resulting in total net capital assets of \$55,103,885.

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

|                                   | <u>June 30, 2017</u>        | <u>June 30, 2016</u>        | <u>Percentage<br/>Change</u> |
|-----------------------------------|-----------------------------|-----------------------------|------------------------------|
| Land                              | \$ 226,710                  | \$ 226,710                  | 0.00 %                       |
| Construction in Progress          | 99,247                      | -                           | N/A %                        |
| Buildings                         | 43,127,347                  | 44,257,315                  | (2.55) %                     |
| Building improvements             | 178,136                     | 190,568                     | (6.52) %                     |
| Improvements other than buildings | 9,421,772                   | 7,536,317                   | 25.02 %                      |
| Mobile equipment                  | 1,826,074                   | 1,737,958                   | 5.07 %                       |
| Furniture and equipment           | 224,599                     | 180,242                     | 24.61 %                      |
| <b>Total</b>                      | <b><u>\$ 55,103,885</u></b> | <b><u>\$ 54,129,110</u></b> | <b>1.80 %</b>                |

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

CLINTON PUBLIC SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2017

**Debt Administration.** At June 30, 2017, the District had \$34,586,409 in outstanding long-term debt, of which \$3,642,896 is due within one year. The liability for compensated absences increased \$8,569 from the prior year.

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

|                                  | <u>June 30, 2017</u>        | <u>June 30, 2016</u>        | <u>Percentage<br/>Change</u> |
|----------------------------------|-----------------------------|-----------------------------|------------------------------|
| General obligation bonds payable | \$ 26,170,000               | \$ 28,780,000               | (9.07) %                     |
| Premiums/Discounts               | -                           | (275,940)                   | (100.00) %                   |
| Three mill notes payable         | 6,680,000                   | 7,000,000                   | (4.57) %                     |
| Obligations under capital leases | 1,467,356                   | 1,325,004                   | 10.74 %                      |
| Compensated absences payable     | 269,053                     | 260,484                     | 3.29 %                       |
| <b>Total</b>                     | <b><u>\$ 34,586,409</u></b> | <b><u>\$ 37,089,548</u></b> | <b><u>(6.75) %</u></b>       |

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

## **CURRENT ISSUES**

The Clinton Public School District is financially stable. The District is proud of its community support for the public schools. The District has committed itself to financial excellence for many years. The District plans to continue its sound fiscal management to meet the challenges and to embrace the opportunities 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 2016-2017 year increased by 1.2% to 5,149 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, 2017

## Exhibit A

|  | Governmental<br>Activities |
|--|----------------------------|
| <b>Assets</b>                                    |                            |
| Cash and cash equivalents                        | \$ 13,151,274              |
| Due from other governments                       | 998,894                    |
| Inventories                                      | 46,700                     |
| Prepaid items                                    | 17,695                     |
| Restricted assets                                | 7,013,090                  |
| Capital assets, non-depreciable:                 |                            |
| Land   | 226,710                    |
| Construction in progress                         | 99,247                     |
| Capital assets, net of accumulated depreciation: |                            |
| Buildings  | 43,127,347                 |
| Building improvements                            | 178,136                    |
| Improvements other than buildings                | 9,421,772                  |
| Mobile equipment                                 | 1,826,074                  |
| Furniture and equipment                          | 224,599                    |
| Total Assets                                     | <u>76,331,538</u>          |
| <b>Deferred Outflows of Resources</b>            |                            |
| Deferred outflow related to pensions             | 16,337,270                 |
| Total Deferred Outflows of Resources             | <u>16,337,270</u>          |
| <b>Liabilities</b>                               |                            |
| Accounts payable and accrued liabilities         | 312,064                    |
| Interest payable on long-term liabilities        | 140,503                    |
| Long-term liabilities, due within one year:      |                            |
| Capital related liabilities                      | 3,629,443                  |
| Non-capital related liabilities                  | 13,453                     |
| Long-term liabilities, due beyond one year:      |                            |
| Capital related liabilities                      | 30,687,913                 |
| Non-capital related liabilities                  | 255,600                    |
| Net pension liability                            | 63,182,510                 |
| Total Liabilities                                | <u>98,221,486</u>          |
| <b>Deferred Inflows of Resources</b>             |                            |
| Deferred inflow related to pensions              | 548,159                    |
| Total Deferred Inflows of Resources              | <u>548,159</u>             |
| <b>Net Position</b>                              |                            |
| Net investment in capital assets                 | 20,786,529                 |
| Restricted for:                                  |                            |
| Expendable:                                      |                            |
| School-based activities                          | 573,343                    |
| Debt service                                     | 4,117,876                  |
| Forestry improvements                            | 88,513                     |
| Unemployment benefits                            | 94,907                     |
| Non-expendable:                                  |                            |
| Sixteenth section                                | 4,612,436                  |
| Other  | 64,395                     |
| Unrestricted                                     | (36,438,836)               |
| Total Net Position (deficit)                     | <u>\$ (6,100,837)</u>      |

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

**CLINTON PUBLIC SCHOOL DISTRICT**

**Statement of Activities**  
**June 30, 2017**

**Exhibit B**

| Functions/Programs                | Expenses             | Program Revenues    |                     | Net (Expense)          |
|-----------------------------------|----------------------|---------------------|---------------------|------------------------|
|                                   |                      | Charges for         | Operating           | Revenue and            |
|                                   |                      | Services            | Grants and          | Changes in             |
|                                   |                      |                     | Contributions       | Net Position           |
|                                   |                      |                     |                     | Governmental           |
|                                   |                      |                     |                     | Activities             |
| Governmental Activities:          |                      |                     |                     |                        |
| Instruction                       | \$ 23,910,447        | \$ 610,455          | \$ 2,506,288        | \$ (20,793,704)        |
| Support services                  | 14,055,256           | 3,603               | 791,731             | (13,259,922)           |
| Non-instructional                 | 2,080,179            | 813,858             | 1,341,330           | 75,009                 |
| Sixteenth section                 | 77,415               | 3,068               | -                   | (74,347)               |
| Pension expense                   | 9,051,828            | -                   | -                   | (9,051,828)            |
| Interest on long-term liabilities | 888,759              | -                   | -                   | (888,759)              |
| Total Governmental Activities     | <u>\$ 50,063,884</u> | <u>\$ 1,430,984</u> | <u>\$ 4,639,349</u> | <u>\$ (43,993,551)</u> |

General Revenues:

Taxes:

General purpose levies 12,726,364

Debt purpose levies 3,835,635

Unrestricted grants and contributions:

State 23,563,549

Federal 514,300

Unrestricted investment earnings 74,941

Sixteenth section sources 4,773,255

Other 781,188

Total General Revenues 46,269,232

Change in Net Position 2,275,681

Net Position - Beginning, as previously reported (10,200,966)

Prior Period Adjustments 1,824,448

Net Position - Beginning, as restated (8,376,518)

Net Position (deficit) - Ending \$ (6,100,837)

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

## CLINTON PUBLIC SCHOOL DISTRICT

## Governmental Funds

## Balance Sheet

June 30, 2017

## Exhibit C

|  | Major Funds          |                   |                  |                              |                           |                                | Total<br>Governmental<br>Funds |
|--|----------------------|-------------------|------------------|------------------------------|---------------------------|--------------------------------|--------------------------------|
|  | General<br>Fund      | Title I<br>Fund   | IDEA<br>Fund     | Building<br>Projects<br>Fund | QSCB<br>Refunding<br>Fund | Other<br>Governmental<br>Funds |                                |
| <b>Assets</b>                            |                      |                   |                  |                              |                           |                                |                                |
| Cash and cash equivalents                | \$ 10,642,764        | \$ -              | \$ -             | \$ -                         | \$ -                      | \$ 7,172,247                   | \$ 17,815,011                  |
| Cash with fiscal agents                  | 2,783                | -                 | -                | -                            | 26,769                    | -                              | 29,552                         |
| Investments                              |                      | -                 | -                | -                            | 2,319,801                 | -                              | 2,319,801                      |
| Due from other governments               | 569,216              | 173,983           | 84,775           | -                            | -                         | 170,782                        | 998,756                        |
| Due from other funds                     | 303,838              | -                 | -                | 89,839                       | -                         | -                              | 393,677                        |
| Inventories                              |                      | -                 | -                | -                            | -                         | 46,700                         | 46,700                         |
| Prepaid items                            | 17,695               | -                 | -                | -                            | -                         | -                              | 17,695                         |
| Total assets                             | <u>\$ 11,536,296</u> | <u>\$ 173,983</u> | <u>\$ 84,775</u> | <u>\$ 89,839</u>             | <u>\$ 2,346,570</u>       | <u>\$ 7,389,729</u>            | <u>\$ 21,621,192</u>           |
| <b>Liabilities and Fund Balances</b>     |                      |                   |                  |                              |                           |                                |                                |
| <b>Liabilities:</b>                      |                      |                   |                  |                              |                           |                                |                                |
| Accounts payable and accrued liabilities | \$ 205,146           | \$ 298            | \$ 4,070         | \$ 89,839                    | \$ -                      | \$ 12,711                      | \$ 312,064                     |
| Due to other funds                       | 89,839               | 173,685           | 80,705           | -                            | -                         | 49,310                         | 393,539                        |
| Total Liabilities                        | <u>294,985</u>       | <u>173,983</u>    | <u>84,775</u>    | <u>89,839</u>                | <u>-</u>                  | <u>62,021</u>                  | <u>705,603</u>                 |
| <b>Fund Balances:</b>                    |                      |                   |                  |                              |                           |                                |                                |
| <b>Nonspendable:</b>                     |                      |                   |                  |                              |                           |                                |                                |
| Inventory                                |                      | -                 | -                | -                            | -                         | 46,700                         | 46,700                         |
| Permanent fund principal                 |                      | -                 | -                | -                            | -                         | 4,612,436                      | 4,612,436                      |
| Prepaid items                            | 17,695               | -                 | -                | -                            | -                         | -                              | 17,695                         |
| <b>Restricted:</b>                       |                      |                   |                  |                              |                           |                                |                                |
| Debt service                             |                      | -                 | -                | -                            | 2,346,570                 | 1,911,809                      | 4,258,379                      |
| Forestry improvement purposes            |                      | -                 | -                | -                            | -                         | 88,513                         | 88,513                         |
| Sixteenth Section                        |                      |                   |                  |                              |                           | 51,301                         | 51,301                         |
| Unemployment benefits                    |                      | -                 | -                | -                            | -                         | 94,907                         | 94,907                         |
| Food Service                             |                      | -                 | -                | -                            | -                         | 522,042                        | 522,042                        |
| <b>Assigned:</b>                         |                      |                   |                  |                              |                           |                                |                                |
| Funding activity                         | 2,000,000            | -                 | -                | -                            | -                         |                                | 2,000,000                      |
| Special activity                         | 67,022               | -                 | -                | -                            | -                         | -                              | 67,022                         |
| General activity                         | 683,724              | -                 | -                | -                            | -                         | -                              | 683,724                        |
| <b>Unassigned</b>                        | <u>8,472,870</u>     | <u>-</u>          | <u>-</u>         | <u>-</u>                     | <u>-</u>                  | <u>-</u>                       | <u>8,472,870</u>               |
| Total Fund Balances                      | <u>11,241,311</u>    | <u>-</u>          | <u>-</u>         | <u>-</u>                     | <u>2,346,570</u>          | <u>7,327,708</u>               | <u>20,915,589</u>              |
| Total Liabilities and Fund Balances      | <u>\$ 11,536,296</u> | <u>\$ 173,983</u> | <u>\$ 84,775</u> | <u>\$ 89,839</u>             | <u>\$ 2,346,570</u>       | <u>\$ 7,389,729</u>            | <u>\$ 21,621,192</u>           |

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

**CLINTON PUBLIC SCHOOL DISTRICT**  
**Governmental Funds**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position**  
**June 30, 2017**

**Exhibit C-1**

**Total fund balances for governmental funds** **\$ 20,915,589**

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

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

|                                   |                     |            |
|-----------------------------------|---------------------|------------|
| Land                              | \$ 226,710          |            |
| Construction in progress          | 99,247              |            |
| Buildings                         | 59,997,774          |            |
| Building improvements             | 310,793             |            |
| Improvements other than buildings | 13,772,849          |            |
| Mobile equipment                  | 5,077,893           |            |
| Furniture and equipment           | 1,692,995           |            |
| Accumulated depreciation          | <u>(26,074,376)</u> | 55,103,885 |

2. Some of the district's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.

3. Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds:

|  |                  |              |
|--|------------------|--------------|
| Net pension liability  | (63,182,510)     |              |
| Deferred outflows and inflows of resources related to pensions are |                  |              |
| Deferred outflows of resources related to pensions                 | 16,337,270       |              |
| Deferred inflows of resources related to pensions                  | <u>(548,159)</u> | (47,393,399) |

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

|                           |                  |              |
|---------------------------|------------------|--------------|
| General obligation bonds  | (26,170,000)     |              |
| Three Mill Notes payable  | (6,680,000)      |              |
| Capital lease obligations | (1,467,356)      |              |
| Compensated absences      | (269,053)        |              |
| Accrued interest payable  | <u>(140,503)</u> | (34,726,912) |

**Net Position of governmental activities** **\$ (6,100,837)**

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

**CLINTON PUBLIC SCHOOL DISTRICT**  
**Governmental Funds**

**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**6/30/2017**

**Exhibit D**

|   | Major Funds   |              |           |                        |                     |                          |                          |
|---|---------------|--------------|-----------|------------------------|---------------------|--------------------------|--------------------------|
|   | General Fund  | Title I Fund | IDEA Fund | Building Projects Fund | QSCB Refunding Fund | Other Governmental Funds | Total Governmental Funds |
| <b>Revenues:</b>  |               |              |           |                        |                     |                          |                          |
| Local sources   | \$ 14,023,849 | \$ -         | \$ -      | \$ -                   | \$ 48,422           | \$ 4,540,185             | \$ 18,612,456            |
| State sources   | 23,543,975    | -            | -         | -                      | -                   | 903,030                  | 24,447,005               |
| Federal sources   | 514,300       | 1,099,474    | 955,007   | -                      | -                   | 1,701,411                | 4,270,192                |
| Sixteenth section sources                                 | 361,173       | -            | -         | -                      | -                   | 4,422,517                | 4,783,690                |
| Total Revenues  | 38,443,297    | 1,099,474    | 955,007   | -                      | 48,422              | 11,567,143               | 52,113,343               |
| <b>Expenditures:</b>                                      |               |              |           |                        |                     |                          |                          |
| Instruction   | 22,877,831    | 947,802      | -         | -                      | -                   | 1,114,919                | 24,940,552               |
| Support services  | 13,839,898    | 76,968       | 634,211   | -                      | -                   | 471,252                  | 15,022,329               |
| Noninstructional services                                 | 13,765        | 14,538       | 320,796   | -                      | -                   | 1,801,541                | 2,150,640                |
| Sixteenth section   | 67,235        | -            | -         | -                      | -                   | 10,180                   | 77,415                   |
| Facilities acquisition and construction                   | 335,980       | -            | -         | 99,247                 | -                   | -                        | 435,227                  |
| Debt service:   |               |              |           |                        |                     |                          |                          |
| Principal   | 1,682,143     | -            | -         | -                      | -                   | 2,930,000                | 4,612,143                |
| Interest  | 21,870        | -            | -         | -                      | -                   | 892,856                  | 914,726                  |
| Other   | -             | -            | -         | -                      | -                   | 7,393                    | 7,393                    |
| Total Expenditures  | 38,838,722    | 1,039,308    | 955,007   | 99,247                 | -                   | 7,228,141                | 48,160,425               |
| Excess (Deficiency) of Revenues over (under) Expenditures | (395,425)     | 60,166       | -         | (99,247)               | 48,422              | 4,339,002                | 3,952,918                |
| <b>Other Financing Sources (Uses):</b>                    |               |              |           |                        |                     |                          |                          |
| Capital leases issued                                     | 1,824,495     | -            | -         | -                      | -                   | -                        | 1,824,495                |
| Insurance recovery  | 3,603         | -            | -         | -                      | -                   | -                        | 3,603                    |
| Payments held by escrow agent                             | -             | -            | -         | -                      | 415,000             | -                        | 415,000                  |
| Payment to QSCB debt escrow agent                         | -             | -            | -         | -                      | -                   | (415,000)                | (415,000)                |
| Sale of transportation equipment                          | 2,900         | -            | -         | -                      | -                   | -                        | 2,900                    |
| Sale of other property                                    | 234,336       | -            | -         | -                      | -                   | -                        | 234,336                  |
| Operating transfers in                                    | 100,487       | -            | -         | 99,247                 | -                   | 871,627                  | 1,071,361                |
| Operating transfers out                                   | (970,874)     | (60,166)     | -         | -                      | -                   | (40,321)                 | (1,071,361)              |
| Total Other Financing Sources (Uses)                      | 1,194,947     | (60,166)     | -         | 99,247                 | 415,000             | 416,306                  | 2,065,334                |
| Net Change in Fund Balances                               | 799,522       | -            | -         | -                      | 463,422             | 4,755,308                | 6,018,252                |
| <b>Fund Balances:</b>                                     |               |              |           |                        |                     |                          |                          |
| July 1, 2016, as previously reported                      | 10,441,789    | -            | -         | -                      | 1,883,148           | 2,565,352                | 14,890,289               |
| Increase (Decrease) in inventory                          | -             | -            | -         | -                      | -                   | 7,048                    | 7,048                    |
| June 30, 2017   | \$ 11,241,311 | \$ -         | \$ -      | \$ -                   | \$ 2,346,570        | \$ 7,327,708             | \$ 20,915,589            |

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

**CLINTON PUBLIC SCHOOL DISTRICT**

**Governmental Funds**

**Reconciliation of the Governmental Funds Statement of Revenues,  
6/30/2017  
For the Year Ended June 30, 2016**

**Exhibit D-1**

**Net change in fund balances - total governmental funds** \$ 6,018,252

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

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

|                      |                    |             |
|----------------------|--------------------|-------------|
| Capital outlay       | \$ 933,987         |             |
| Depreciation expense | <u>(2,044,983)</u> | (1,110,996) |

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

(14,617)

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

|                            |                  |           |
|----------------------------|------------------|-----------|
| Capital leases issued      | (1,824,495)      |           |
| Payments of debt principal | 4,612,143        |           |
| Accrued interest payable   | 33,360           |           |
|                            | <u>2,821,008</u> | 2,821,008 |

4. Some items reported in the statement of activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:

|  |                  |             |
|--|------------------|-------------|
| Recording of pension expense for the current period                | (9,051,828)      |             |
| Recording of contributions made subsequent to the measurement date | <u>3,615,383</u> | (5,436,445) |

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

|                                |                |         |
|--------------------------------|----------------|---------|
| Change in compensated absences | (8,569)        |         |
| Change in inventory            | 7,048          |         |
|                                | <u>(1,521)</u> | (1,521) |

**Change in Net Position of governmental activities** \$ 2,275,681

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

**CLINTON PUBLIC SCHOOL DISTRICT  
Fiduciary Funds**

**Statement of Fiduciary Assets and Liabilities  
June 30, 2017**

**Exhibit E**

|  | Agency<br>Funds            |
|--|----------------------------|
| <b>Assets</b>                            |                            |
| Cash and cash equivalents                | <u>\$ 1,778,992</u>        |
| Total Assets                             | <u><u>\$ 1,778,992</u></u> |
| <b>Liabilities</b>                       |                            |
| Accounts payable and accrued liabilities | \$ 1,675,976               |
| Due to other funds                       | 138                        |
| Due to student clubs                     | <u>102,878</u>             |
| Total Liabilities                        | <u><u>\$ 1,778,992</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, 2017

**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 results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a

CLINTON PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2017

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.

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

**Building Projects Fund** - This is a fund used to account for the construction projects within the district.

**QSCB Debt Fund** - This is a fund used to account 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 school district also reports fiduciary funds (agency funds) which focus on assets and liabilities only. The District's fiduciary funds include the following:

**Payroll Clearing Fund** - This fund is used as a clearing fund for payroll type transactions.

**Student Club Funds** - These various 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 is used as a clearing fund for non-payroll type transactions.

Additionally, the school district reports the following fund types:

#### GOVERNMENTAL FUNDS

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

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

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

**Permanent Funds** - Permanent Funds are used to account for and report resources that are

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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.

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

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

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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, 2014*, 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

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**

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

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

**3. Due from Other Governments**

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

CLINTON PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
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4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

|                                   | Capitalization<br>Policy | Estimated<br>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                |

See Note 5 for details.

7. Deferred outflows/inflows of resources

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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 incurred a deferred outflow which is presented as a deferred outflow related to pensions. See Note 14 for further details.

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 incurred a deferred inflow which is presented as a deferred inflow related to pensions. See Note 14 for further 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 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.

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

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

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

*Committed fund balance* includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is a resolution approved by the School Board. 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 Business Manager pursuant to authorization established by the District's approved fund balance policy. There are no assigned fund balances during the current fiscal year.

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

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

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year-end of not less than 10% of general revenues. If the unassigned fund balance at fiscal year-end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

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

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

**Deposits.** The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school district's deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge

CLINTON PUBLIC SCHOOL DISTRICT  
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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.

#### 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 \$17,815,011 and \$1,778,992, respectively. The carrying amount of deposits reported in the government-wide financial statements included cash and cash equivalents of \$13,151,274 and a portion of restricted assets in the amount of \$7,013,090 (see Note 4).

*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, 2017, none of the district's bank balance of \$21,104,473 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 \$29,552.

#### Investments

As of June 30, 2017, the district had the following investments with fiscal agents.

| Investment  | Rating                 | Maturity | Fair Value   |
|---|------------------------|----------|--------------|
| BankPlus Sinking Fund<br>Fiscal Agent for QSCB Loan – See Note 13 | US Treasury<br>Deposit | Various  | \$ 2,319,801 |

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

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

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



CLINTON PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2017

**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 | \$ 49,310         |
| General Fund           | Title I Fund             | 173,685           |
| General Fund           | IDEA Fund                | 80,705            |
| General Fund           | Fiduciary Funds          | 138               |
| Building Projects Fund | General Fund             | 89,839            |
| Total                  |                          | <u>\$ 393,677</u> |

The primary purpose of the inter-fund balances is to eliminate deficit cash balances in certain special revenue funds caused by negative federal award program cash flows.

**B. Inter-fund Transfers**

| Transfers Out            | Transfers In             | Amount              |
|--------------------------|--------------------------|---------------------|
| General Fund             | Building projects fund   | \$ 99,247           |
| General Fund             | Other governmental funds | 871,627             |
| Title I Fund             | General Fund             | 60,166              |
| Other governmental funds | General Fund             | 40,321              |
| Total                    |                          | <u>\$ 1,071,361</u> |

Operating transfers were primarily for the following: indirect cost transfers, the transfer of expendable sixteenth section sources, unemployment compensation transfers, and other routine operating transfers.

**Note 4 – Restricted Assets**

The restricted assets represent the cash balance totaling \$4,663,737 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets represent the cash with fiscal agent balance totaling \$29,552. \$2,783 is held for Ref Pay in Athletic Activity Fund (General Fund) and \$26,769 is held in the QSCB – 2010 Note fund. The restricted assets also represent the investment balance totaling \$2,319,801 of the QSCB – 2010 Note fund.

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Notes to the Financial Statements  
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**Note 5 – Capital Assets**

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

|   | Balance<br>7/1/2016 | Increases      | Decreases | Adjustments  | Balance<br>6/30/2017 |
|---|---------------------|----------------|-----------|--------------|----------------------|
| <b>Governmental Activities:</b>             |                     |                |           |              |                      |
| <u>Non-depreciable capital assets:</u>      |                     |                |           |              |                      |
| Land  | \$ 226,710          | \$             | \$        | \$           | \$ 226,710           |
| Construction in progress                    |                     | 99,247         |           |              | 99,247               |
| Total non-depreciable capital assets        | 226,710             | 99,247         | -         | -            | 325,957              |
| <u>Depreciable capital assets:</u>          |                     |                |           |              |                      |
| Buildings                                   | 59,997,774          |                |           |              | 59,997,774           |
| Building improvements                       | 310,793             |                |           |              | 310,793              |
| Improvements other than buildings           | 11,336,480          | 335,980        |           | 2,100,389    | 13,772,849           |
| Mobile equipment                            | 4,830,177           | 388,270        | 140,554   |              | 5,077,893            |
| Furniture and equipment                     | 1,638,726           | 110,490        | 56,221    |              | 1,692,995            |
| Total depreciable capital assets            | 78,113,950          | 834,740        | 196,775   | 2,100,389    | 80,852,304           |
| <u>Less accumulated depreciation for:</u>   |                     |                |           |              |                      |
| Buildings                                   | 15,740,459          | 1,129,967      |           | 1            | 16,870,427           |
| Building improvements                       | 120,225             | 12,432         |           |              | 132,657              |
| Improvements other than buildings           | 3,800,163           | 550,914        |           |              | 4,351,077            |
| Mobile equipment                            | 3,092,219           | 286,099        | 126,499   |              | 3,251,819            |
| Furniture and equipment                     | 1,458,484           | 65,571         | 55,659    |              | 1,468,396            |
| Total accumulated depreciation              | 24,211,550          | 2,044,983      | 182,158   | 1            | 26,074,376           |
| Total depreciable capital assets, net       | 53,902,400          | (1,210,243)    | 14,617    | 2,100,388    | 54,777,928           |
| Governmental activities capital assets, net | \$ 54,129,110       | \$ (1,110,996) | \$ 14,617 | \$ 2,100,388 | \$ 55,103,885        |

Depreciation expense was charged to the following governmental functions:

|  | Amount              |
|--|---------------------|
| <b>Governmental activities:</b>                      |                     |
| Instruction  | \$ 1,611,175        |
| Support services                                     | 415,650             |
| Non-instructional                                    | 18,158              |
| Total depreciation expense - Governmental activities | <u>\$ 2,044,983</u> |

CLINTON PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
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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<br>7/1/2016  | Additions           | Reductions          | Balance<br>6/30/2017 | Amounts<br>due within<br>one year |
|---|----------------------|---------------------|---------------------|----------------------|-----------------------------------|
| A. General obligation refunding bonds payable | \$ 28,780,000        | \$                  | \$ 2,610,000        | \$ 26,170,000        | \$ 2,740,000                      |
| B. Three mill notes payable                   | 7,000,000            |                     | 320,000             | 6,680,000            | 335,000                           |
| C. Obligations under capital leases           | 1,325,004            | 1,824,495           | 1,682,143           | 1,467,356            | 554,443                           |
| D. Compensated absences payable               | 260,484              | 8,569               |                     | 269,053              | 13,453                            |
| Total   | <u>\$ 37,365,488</u> | <u>\$ 1,833,064</u> | <u>\$ 4,612,143</u> | <u>\$ 34,586,409</u> | <u>\$ 3,642,896</u>               |

**A. General obligation refunding 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<br>Rate | Issue<br>Date | Maturity<br>Date | Amount<br>Issued     | Amount<br>Outstanding |
|--|------------------|---------------|------------------|----------------------|-----------------------|
| General obligation refunding bonds, Series 2010                | 2.00%            | 9/15/2011     | 3/15/2017        | \$ 14,000,000        | \$ 10,425,000         |
| General obligation refunding bonds, Series 2011                | 2.00%            | 9/15/2011     | 3/15/2017        | \$ 9,000,000         | \$ 7,720,000          |
| General obligation refunding bonds, Series 2012                | 2.00%            | 9/15/2011     | 3/15/2017        | \$ 500,000           | \$ 70,000             |
| General obligation refunding bonds, Series 2012 -Refunded 2005 | 2.00%            | 9/15/2011     | 3/15/2017        | \$ 8,490,000         | \$ 7,955,000          |
| Total  |                  |               |                  | <u>\$ 31,990,000</u> | <u>\$ 26,170,000</u>  |

CLINTON PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
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The following is a schedule by years of the total payments due on this debt:

1. Bond issue of Series 2010:

| Year Ending<br>June 30 |    | Principal  | Interest     | Total         |
|------------------------|----|------------|--------------|---------------|
| 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                   |    | 725,000    | 293,675      | 1,018,675     |
| 2023-2027              |    | 4,140,000  | 1,007,175    | 5,147,175     |
| 2028-2030              |    | 2,960,000  | 210,175      | 3,170,175     |
| Total                  | \$ | 10,425,000 | \$ 2,961,399 | \$ 13,386,399 |

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.

2. Bond issue of Series 2011:

| Year Ending<br>June 30 |    | Principal | Interest     | Total        |
|------------------------|----|-----------|--------------|--------------|
| 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                   |    | 600,000   | 155,219      | 755,219      |
| 2023-2027              |    | 3,475,000 | 533,796      | 4,008,796    |
| 2028-2029              |    | 2,100,000 | 59,125       | 2,159,125    |
| Total                  | \$ | 7,720,000 | \$ 1,482,803 | \$ 9,202,803 |

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

CLINTON PUBLIC SCHOOL DISTRICT  
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3. Bond issue of Series 2012:

| Year Ending<br>June 30 | Principal        | Interest        | Total            |
|------------------------|------------------|-----------------|------------------|
| 2018                   | \$ 70,000        | \$ 3,500        | \$ 73,500        |
| Total                  | <u>\$ 70,000</u> | <u>\$ 3,500</u> | <u>\$ 73,500</u> |

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

4. Bond issue of Refunded Series 2012:

| Year Ending<br>June 30 | Principal           | Interest          | Total               |
|------------------------|---------------------|-------------------|---------------------|
| 2018                   | \$ 1,705,000        | \$ 160,288        | \$ 1,865,288        |
| 2019                   | 1,775,000           | 126,188           | 1,901,188           |
| 2020                   | 1,845,000           | 90,688            | 1,935,688           |
| 2021                   | 1,680,000           | 53,788            | 1,733,788           |
| 2022                   | 950,000             | 20,188            | 970,188             |
| Total                  | <u>\$ 7,955,000</u> | <u>\$ 451,138</u> | <u>\$ 8,406,138</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.

The total general obligation bond payments for all issues:

| Year Ending<br>June 30 | Principal            | Interest           | Total                |
|------------------------|----------------------|--------------------|----------------------|
| 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                   | \$ 2,275,000         | \$ 469,082         | \$ 2,744,082         |
| 2023 – 2027            | \$ 7,615,000         | \$1,540,971        | \$ 9,155,971         |
| 2028 - 2030            | <u>\$ 5,060,000</u>  | <u>\$ 269,300</u>  | <u>\$ 5,329,300</u>  |
| Total                  | <u>\$ 26,170,000</u> | <u>\$4,898,840</u> | <u>\$ 31,068,840</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, 2017, the amount of outstanding bonded indebtedness was less than 9.9% of property assessments as of October 1, 2015.

CLINTON PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2017

**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 payable currently outstanding are as follows:

| Description                   | Interest<br>Rate | Issue Date | Maturity<br>Date | Amount<br>Issued    | Amount<br>Outstanding |
|-------------------------------|------------------|------------|------------------|---------------------|-----------------------|
| Three mill notes, Series 2008 | 3.63%            | 12/5/2008  | 12/5/2018        | \$ 2,935,000        | \$ 680,000            |
| Three mill notes, Series 2010 | 0.00%            | 12/16/2010 | 12/1/2025        | 6,000,000           | 6,000,000             |
| Total                         |                  |            |                  | <u>\$ 8,935,000</u> | <u>\$ 6,680,000</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<br>June 30 | Principal         | Interest         | Total             |
|------------------------|-------------------|------------------|-------------------|
| 2018                   | \$ 335,000        | \$ 18,603        | \$ 353,603        |
| 2019                   | 345,000           | 6,262            | 351,262           |
| Total                  | <u>\$ 680,000</u> | <u>\$ 24,865</u> | <u>\$ 704,865</u> |

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

2. Three mill notes payable issue of 2010:

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

| Year Ending<br>June 30 | Principal           | Interest    | Total               |
|------------------------|---------------------|-------------|---------------------|
| 2018                   | \$ -                | \$ -        | -                   |
| 2019                   | -                   | -           | -                   |
| 2020                   | -                   | -           | -                   |
| 2021                   | -                   | -           | -                   |
| 2022 – 2025            | 6,000,000           | -           | 6,000,000           |
| Total                  | <u>\$ 6,000,000</u> | <u>\$ -</u> | <u>\$ 6,000,000</u> |

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.

CLINTON PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2017

**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 \$1,824,495 with a down payment of \$457,784 in 2016 - 2017. 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, July 2014 Issue   | 2.78%         | 7/25/2014  | 7/25/2017     | \$ 397,283          | \$ 100,645          |
| Capital Lease, August 2016 Issue | 0.39%         | 8/5/2016   | 8/5/2016      | 1,824,495           | 1,366,711           |
| Total                            |               |            |               | <u>\$ 2,221,778</u> | <u>\$ 1,467,356</u> |

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

1. Capital lease issue of July 2014:

| Year Ending<br>June 30 | Principal  | Interest | Total      |
|------------------------|------------|----------|------------|
| 2018                   | \$ 100,645 | \$ 2,797 | \$ 103,442 |

This debt will be retired from the District Maintenance Fund.

2. Capital lease issue of August 2016:

| Year Ending<br>June 30 | Principal           | Interest         | Total               |
|------------------------|---------------------|------------------|---------------------|
| 2018                   | \$ 453,799          | \$ 5,329         | \$ 459,128          |
| 2019                   | 455,568             | 3,560            | 459,128             |
| 2020                   | 457,344             | 1,783            | 459,127             |
| Total                  | <u>\$ 1,366,711</u> | <u>\$ 10,672</u> | <u>\$ 1,377,383</u> |

This debt will be retired from the District Maintenance Fund.

The total capital lease payments for all issues:

CLINTON PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2017

| Year Ending<br>June 30 | Principal           | Interest         | Total               |
|------------------------|---------------------|------------------|---------------------|
| 2018                   | \$ 554,444          | \$ 8,126         | \$ 562,570          |
| 2019                   | 455,568             | 3,560            | 459,128             |
| 2020                   | 457,344             | 1,783            | 459,127             |
| Total                  | <u>\$ 1,467,356</u> | <u>\$ 13,469</u> | <u>\$ 1,480,825</u> |

**D. Compensated absences payable**

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

**Note 7 - Other Commitments**

Operating leases:

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

Lease expenditures for the year ended June 30, 2017, amounted to \$53,646. Future lease payments for these leases are as follows:

| Year Ending<br>June 30 | Amount           |
|------------------------|------------------|
| 2018                   | \$ 52,826        |
| 2019                   | 30,668           |
| Total                  | <u>\$ 83,494</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



CLINTON PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2017

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, 2017 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to 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, 2017, 2016 and 2015 were \$3,615,383, \$3,563,916 and \$3,292,346, 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, 2017, the school district reported a liability of \$63,182,510 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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 proportionate share used to calculate the June 30, 2017 net pension liability was 0.353716 percent, which was based on a measurement date of June 30, 2016. This was an increase of 0.019118 percent from its proportionate share used to calculate the June 30, 2016 net pension liability, which was based on a measurement date of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$9,051,828. At June 30, 2017 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
|---|---|--|
| Differences between expected and actual experience  | \$ 1,708,479                              | \$                                       |
| Net difference between projected and actual earnings on pension plan investments                              | 4,566,104                                 |  |
| Changes of assumptions  | 2,817,575                                 | 548,159                                  |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 3,629,729                                 |  |
| District contributions subsequent to the measurement date   | 3,615,383                                 |  |
| Total   | \$ <u>16,337,270</u>                      | \$ <u>548,159</u>                        |

\$3,615,383 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

CLINTON PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2017

|                      |    |            |
|----------------------|----|------------|
| Year ending June 30: |    |            |
| 2018                 | \$ | 4,463,721  |
| 2019                 |    | 3,886,880  |
| 2020                 |    | 2,574,942  |
| 2021                 |    | 1,248,187  |
| Total                | \$ | 12,173,728 |

*Actuarial assumptions.* The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |   |
|---------------------------|---|
| Inflation                 | 3.00 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, 2016 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                   | 100                      | % |   |   |

*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.

CLINTON PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2017

*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:

|  | 1% Decrease<br>(6.75%) | Current<br>Discount<br>Rate (7.75%) | 1% Increase<br>(8.75%) |
|--|------------------------|-------------------------------------|------------------------|
| District's proportionate share<br>of the net pension liability | \$ 81,014,143          | \$ 63,182,510                       | \$ 48,388,034          |

*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<br>June 30 | Amount              |
|------------------------|---------------------|
| 2018                   | \$ 128,174          |
| 2019                   | \$ 127,616          |
| 2020                   | \$ 121,368          |
| 2021                   | \$ 88,480           |
| 2022                   | \$ 86,655           |
| 2023– 2027             | \$ 338,015          |
| 2028– 2032             | \$ 197,055          |
| 2033– 2037             | \$ 30,805           |
| 2038– 2042             | \$ 20,025           |
| Thereafter             | \$ 10,530           |
| Total                  | <u>\$ 1,148,723</u> |

CLINTON PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2017

**Note 10 – Prior Period Adjustments**

A summary of significant Net Position/Fund Balance adjustments is as follows:

Exhibit B - Statement of Activities

| Explanation                                      | Amount              |
|--|---------------------|
| 1. To correct capital assets from a prior period | \$ 2,100,388        |
| 2. To correct long term debt from a prior period | (275,940)           |
| Total  | <u>\$ 1,824,448</u> |

**Note 11 – Contingencies**

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

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

**Note 12 – Risk Management**

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

**Note 13 - Insurance Loss Recoveries**

The Clinton Public School District received \$3,603 in insurance loss recoveries related to property damage claims during the 2016-2017 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as support services.

CLINTON PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2017

**Note 14 – 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 pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2017 was \$2,346,570. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

| Year Ending<br>June 30 | Amount              |
|------------------------|---------------------|
| 2018                   | \$ 415,000          |
| 2019                   | 415,000             |
| 2020                   | 415,000             |
| 2021                   | 415,000             |
| 2022                   | 415,000             |
| 2023 – 2026            | 1,665,000           |
| Total                  | <u>\$ 3,740,000</u> |

**Note 15 – Effect of Deferred Amounts on Net Position**

The unrestricted net position amount of (\$36,438,836) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pensions in the amount of \$3,615,383 resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. The \$16,337,270 balance of the deferred outflow of resources related to pensions at June 30, 2017 will be recognized as pension expense and will decrease the unrestricted net position amount over the next 3 years. The \$548,159 balance of the deferred inflow of resources related to pensions at June 30, 2017 will be recognized as a reduction of pension expense and will increase the unrestricted net position amount over the next 4 years.

CLINTON PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2017

**Note 16 - 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 October 31, 2017, (the date the financial statements were available to be issued), and determined that the following subsequent events that have occurred requiring disclosure in the notes to the financial statements:

The school district entered into a lease agreement dated August 5, 2017 as lessee for financing the acquisition of computer equipment at .00% interest at a cost of \$3,202,171 with a down payment of \$1,067,372.

The school district sold used Apple computer equipment on July 19, 2017 for \$624,218.

The school district received \$62,561 in insurance loss recoveries related to property damage claims on August 28, 2017.

The school district purchased lieu land on July 19, 2017 of \$1,646,890 and on September 9, 2017 of \$948,467.

REQUIRED SUPPLEMENTARY INFORMATION

**CLINTON PUBLIC SCHOOL DISTRICT**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2017**

|  | Budgeted Amounts |               | Actual<br>(GAAP Basis) | Variances            |                    |
|--|------------------|---------------|------------------------|----------------------|--------------------|
|  |                  |               |                        | Positive (Negative)  |                    |
|  | Original         | Final         |                        | Original<br>to Final | Final<br>to Actual |
| <b>Revenues:</b>   |                  |               |                        |                      |                    |
| Local sources  | \$ 13,368,497    | \$ 14,089,458 | \$ 14,023,849          | \$ 720,961           | \$ (65,609)        |
| State sources  | 24,032,715       | 23,544,113    | 23,543,975             | (488,602)            | (138)              |
| Federal sources  | 232,894          | 514,301       | 514,300                | 281,407              | (1)                |
| Sixteenth section sources                                    | 204,349          | 363,500       | 361,173                | 159,151              | (2,327)            |
| Total Revenues   | 37,838,455       | 38,511,372    | 38,443,297             | 672,917              | (68,075)           |
| <b>Expenditures:</b>   |                  |               |                        |                      |                    |
| Instruction  | 21,292,203       | 23,107,253    | 7,742,041              | (1,815,050)          | 15,365,212         |
| Support services   | 13,852,575       | 13,934,567    | 5,117,937              | (81,992)             | 8,816,630          |
| Non-Instructional  | 24,000           | 22,000        | 13,765                 | 2,000                | 8,235              |
| Sixteenth Section  | 45,000           | 68,600        | 67,235                 | (23,600)             | 1,365              |
| Facilities Acquisition and construction                      |                  | 349,702       | 335,980                | (349,702)            | 13,722             |
| Debt service:  |                  |               |                        |                      |                    |
| Principal  | 2,483,800        | 1,682,143     | 1,682,143              | 801,657              | -                  |
| Interest   | 20,527           | 21,870        | 21,870                 | (1,343)              | -                  |
| Total Expenditures   | 37,718,105       | 39,186,135    | 14,980,971             | (1,468,030)          | 24,205,164         |
| Excess (Deficiency) of Revenues<br>over (under) Expenditures | 120,350          | (674,763)     | 23,462,326             | (795,113)            | 24,137,089         |
| <b>Other Financing Sources (Uses):</b>                       |                  |               |                        |                      |                    |
| Insurance loss recoveries                                    | -                | 3,604         | 3,603                  | 3,604                | (1)                |
| Sale of transportation equipment                             | 3,000            | 3,000         | 2,900                  | -                    | (100)              |
| Sale of other property                                       | 772,000          | 234,236       | 234,336                | (537,764)            | 100                |
| Inception of capital leases                                  | -                | 1,824,496     | 1,824,495              | 1,824,496            | (1)                |
| Operating transfers in                                       | 5,301,433        | 5,446,533     | 100,487                | 145,100              | (5,346,046)        |
| Operating transfers out                                      | (6,384,034)      | (6,323,583)   | (970,874)              | 60,451               | 5,352,709          |
| Total Other Financing Sources (Uses)                         | (307,601)        | 1,188,286     | 1,194,947              | 1,495,887            | 6,661              |
| Net Change in Fund Balances                                  | (187,251)        | 513,523       | 24,657,273             | 700,774              | 24,143,750         |
| <b>Fund Balances:</b>  |                  |               |                        |                      |                    |
| July 1, 2016   | 14,017,650       | 10,441,789    | 10,441,789             | (3,575,861)          | -                  |
| June 30, 2017  | \$ 13,830,399    | \$ 10,955,312 | \$ 35,099,062          | \$ (2,875,087)       | \$ 24,143,750      |

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



**CLINTON PUBLIC SCHOOL DISTRICT**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**Title I Fund**  
**For the Year Ended June 30, 2017**

|  | Budgeted Amounts |              | Actual<br>(GAAP Basis) | Variances            |                    |
|--|------------------|--------------|------------------------|----------------------|--------------------|
|  |                  |              |                        | Positive (Negative)  |                    |
|  | Original         | Final        |                        | Original<br>to Final | Final<br>to Actual |
| <b>Revenues:</b>   |                  |              |                        |                      |                    |
| Federal sources  | \$ 1,208,000     | \$ 1,302,111 | \$ 1,099,474           | \$ 94,111            | \$ (202,637)       |
| Total Revenues   | 1,208,000        | 1,302,111    | 1,099,474              | 94,111               | (202,637)          |
| <b>Expenditures:</b>   |                  |              |                        |                      |                    |
| Instruction  | 1,049,864        | 1,072,760    | 947,802                | (22,896)             | 124,958            |
| Support services   | 101,159          | 144,185      | 76,968                 | (43,026)             | 67,217             |
| Non-Instructional  | 15,000           | 25,000       | 14,538                 | (10,000)             | 10,462             |
| Total Expenditures   | 1,166,023        | 1,241,945    | 1,039,308              | (75,922)             | 202,637            |
| Excess (Deficiency) of Revenues<br>over (under) Expenditures | 41,977           | 60,166       | 60,166                 | 18,189               | -                  |
| <b>Other Financing Sources (Uses):</b>                       |                  |              |                        |                      |                    |
| Operating transfers out                                      | (41,977)         | (60,166)     | (60,166)               | (18,189)             | -                  |
| Total Other Financing Sources (Uses)                         | (41,977)         | (60,166)     | (60,166)               | (18,189)             | -                  |
| Net Change in Fund Balances                                  | -                | -            | -                      | -                    | -                  |
| Fund Balances:   |                  |              |                        |                      |                    |
| July 1, 2016   | -                | -            | -                      | -                    | -                  |
| June 30, 2017  | \$ -             | \$ -         | \$ -                   | \$ -                 | \$ -               |

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

**CLINTON PUBLIC SCHOOL DISTRICT**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**IDEA Fund**  
**For the Year Ended June 30, 2017**

|  | Budgeted Amounts |              | Actual<br>(GAAP Basis) | Variances<br>Positive (Negative) |                    |
|--|------------------|--------------|------------------------|----------------------------------|--------------------|
|  | Original         | Final        |                        | Original<br>to Final             | Final<br>to Actual |
| <b>Revenues:</b>   |                  |              |                        |                                  |                    |
| Federal sources  | \$ 1,117,267     | \$ 1,108,165 | \$ 955,007             | \$ (9,102)                       | \$ (153,158)       |
| Total Revenues   | 1,117,267        | 1,108,165    | 955,007                | (9,102)                          | (153,158)          |
| <b>Expenditures:</b>   |                  |              |                        |                                  |                    |
| Support services   | 784,445          | 777,343      | 634,211                | 7,102                            | 143,132            |
| Non-instructional services                                   | 332,822          | 330,822      | 320,796                | 2,000                            | 10,026             |
| Total Expenditures   | 1,117,267        | 1,108,165    | 955,007                | 9,102                            | 153,158            |
| Excess (Deficiency) of Revenues<br>over (under) Expenditures | -                | -            | -                      | -                                | -                  |
| <b>Other Financing Sources (Uses):</b>                       |                  |              |                        |                                  |                    |
| Operating transfers out                                      | -                | -            | -                      | -                                | -                  |
| Total Other Financing Sources (Uses)                         | -                | -            | -                      | -                                | -                  |
| Net Change in Fund Balances                                  | -                | -            | -                      | -                                | -                  |
| Fund Balances:   |                  |              |                        |                                  |                    |
| July 1, 2016   | -                | -            | -                      | -                                | -                  |
| June 30, 2017  | \$ -             | \$ -         | \$ -                   | \$ -                             | \$ -               |

The notes to the required supplementary 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\***

|  | <u><b>2017</b></u> | <u><b>2016</b></u> | <u><b>2015</b></u> |
|--|--------------------|--------------------|--------------------|
| District's proportion of the net pension liability (asset)   | \$ 63,182,510      | 51,722,254         | 37,202,153         |
| District's proportionate share of the net pension liability (asset)  | 0.353716%          | 0.334598%          | 0.306489%          |
| District's covered payroll   | 22,628,038         | 20,903,784         | 18,728,070         |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 279.2222%          | 247.4301%          | 198.6438%          |
| Plan fiduciary net position as a percentage of the total pension liability                                 | 57.47%             | 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**  
**Required Supplementary Information**

**Schedule of District Contributions**

**PERS**

**Last 10 Fiscal Years**

|   | <u><b>2017</b></u> | <u><b>2016</b></u> | <u><b>2015</b></u> |
|---|--------------------|--------------------|--------------------|
| Contractually required contribution                                     | \$ 3,615,383       | 3,563,916          | 3,292,346          |
| Contributions in relation to the contractually<br>required contribution | 3,615,383          | 3,563,916          | 3,292,346          |
| Contribution deficiency (excess)  | <u>\$ -</u>        | <u>-</u>           | <u>-</u>           |
| District's covered payroll  | 22,954,813         | 22,628,038         | 20,903,784         |
| Contributions as a percentage of covered<br>payroll                     | 15.75%             | 15.75%             | 15.75%             |

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

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  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2017

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) Changes of assumptions

2015:

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.

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.

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

2016:

The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

(2) Changes in benefit provisions

2016:

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

## SUPPLEMENTARY INFORMATION

**CLINTON PUBLIC SCHOOL DISTRICT**  
**Supplementary Information**

**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2017**

| Federal Grantor/Pass-through Grantor/Program Title                 | Catalog of Federal<br>Domestic<br>Assistance No. | Federal<br>Expenditures |
|--|--|-------------------------|
| <b><u>U.S. Department of Agriculture</u></b>                       |  |                         |
| Passed-through Mississippi Department of Education:                |  |                         |
| Child nutrition cluster:   |  |                         |
| School breakfast program   | 10.553   | \$ 182,079              |
| National school lunch program                                      | 10.555   | 1,213,673               |
| Total child nutrition cluster                                      |  | <u>1,395,752</u>        |
| Total passed-through Mississippi Department of Education           |  | <u>1,395,752</u>        |
| <b>Total U.S. Department of Agriculture</b>                        |  | <u>1,395,752</u>        |
| <b><u>Federal Communications Commission</u></b>                    |  |                         |
| Administered through the Universal Service Administrative Company: |  |                         |
| The schools and libraries program of the universal service fund    | 32.xxx   | 514,300                 |
| <b>Total Federal Communications Commission</b>                     |  | <u>514,300</u>          |
| <b><u>U.S. Department of Education</u></b>                         |  |                         |
| Passed-through Mississippi Department of Education:                |  |                         |
| Title I grants to local educational agencies                       | 84.010   | 1,099,474               |
| Career and Technical Education- Basic Grants to States             | 84.048   | 39,663                  |
| English Language Acquisition Grants                                | 84.365   | 15,467                  |
| Improving teacher quality state grants                             | 84.367   | 141,942                 |
| Subtotal   |  | <u>1,296,546</u>        |
| Special education cluster:   |  |                         |
| Special education - grants to states                               | 84.027   | 955,007                 |
| Special education - preschool grants                               | 84.173   | 27,656                  |
| Total special education cluster                                    |  | <u>982,663</u>          |
| Total passed-through Mississippi Department of Education           |  | <u>2,279,209</u>        |
| <b>Total U.S. Department of Education</b>                          |  | <u>2,279,209</u>        |
| Total for All Federal Awards                                       |  | <u>\$ 4,189,261</u>     |

**NOTES TO SCHEDULE**

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements.
2. The expenditure amounts include transfers out.

**CLINTON PUBLIC SCHOOL DISTRICT**

**Supplementary Information**

**Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
For the Year Ended June 30, 2017**

| <u>Expenditures</u>          | <u>Total</u>         | <u>Instruction and<br/>Other Student<br/>Instructional<br/>Expenditures</u> | <u>General<br/>Administration</u> | <u>School<br/>Administration</u> | <u>Other</u>      |
|------------------------------|----------------------|---|-----------------------------------|----------------------------------|-------------------|
| Salaries and fringe benefits | \$ 30,887,730        | 23,645,510  | 1,373,854                         | 2,293,784                        | 3,574,582         |
| Other                        | 17,272,695           | 4,094,155   | 258,428                           | 42,261                           | 12,877,851        |
| Total                        | <u>\$ 48,160,425</u> | <u>27,739,665</u>   | <u>1,632,282</u>                  | <u>2,336,045</u>                 | <u>16,452,433</u> |
| Total number of students *   | <u>5,149</u>         |   |                                   |                                  |                   |
| Cost per student             | <u>\$ 9,353</u>      | <u>5,387</u>  | <u>317</u>                        | <u>454</u>                       | <u>3,195</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**  
**Other Information**

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

**General Fund**

**Last Four Years**

**UNAUDITED**

|  | 2017          | 2016*         | 2015*         | 2014*         |
|--|---------------|---------------|---------------|---------------|
| <b>Revenues:</b>   |               |               |               |               |
| Local sources  | \$ 14,023,849 | \$ 13,004,082 | \$ 12,761,203 | \$ 12,203,173 |
| State sources  | 23,543,975    | 22,393,818    | 21,094,441    | 19,545,348    |
| Federal sources  | 514,300       | 123,748       | 125,545       | 53,073        |
| Sixteenth Section sources                                    | 361,173       | 240,288       | 468,724       |               |
| Total Revenues   | 38,443,297    | 35,761,936    | 34,449,913    | 31,801,594    |
| <b>Expenditures:</b>   |               |               |               |               |
| Instruction  | 22,877,831    | 20,402,118    | 19,899,884    | 22,130,865    |
| Support services   | 13,839,898    | 16,612,108    | 14,107,098    | 15,202,604    |
| Noninstructional services                                    | 13,765        | 15,864        | 15,717        | 18,425        |
| Sixteenth Section  | 67,235        | 44,550        | 58,158        |               |
| Facilities acquisition and construction                      | 335,980       | 39,963        | 26,605        |               |
| Debt Service:  |               |               |               |               |
| Principal  | 1,682,143     | 1,324,992     | 1,317,500     | 1,257,035     |
| Interest   | 21,870        | 39,040        | 46,529        | 3,557         |
| Total Expenditures   | 38,838,722    | 38,478,635    | 35,471,491    | 38,612,486    |
| Excess (Deficiency) of Revenues<br>over (under) Expenditures | (395,425)     | (2,716,699)   | (1,021,578)   | (6,810,892)   |
| <b>Other Financing Sources (Uses):</b>                       |               |               |               |               |
| Insurance recovery   | 3,603         | 3,620         | 1,150         | 4,365,948     |
| Inception of capital leases                                  | 1,824,495     |               | 397,283       | 4,251,758     |
| Sale of transportation equipment                             | 2,900         | 2,858         | 5,200         |               |
| Sale of other property                                       | 234,336       | 190,865       | 775,000       |               |
| Operating transfers in                                       | 100,487       | 110,765       | 119,995       | 91,967        |
| Operating transfers out                                      | (970,874)     | (967,060)     | (947,015)     | (835,010)     |
| Total Other Financing Sources (Uses)                         | 1,194,947     | (658,952)     | 351,613       | 7,874,663     |
| Net Change in Fund Balances                                  | 799,522       | (3,375,651)   | (669,965)     | 1,063,771     |
| <b>Fund Balances:</b>  |               |               |               |               |
| July 1 , as previously reported                              | 10,441,789    | 13,817,440    | 11,755,464    | 10,691,693    |
| Fund reclassification  |               |               | 2,731,941     |               |
| July 1 , as restated   | 10,441,789    | 13,817,440    | 14,487,405    | 10,691,693    |
| End of Period  | \$ 11,241,311 | \$ 10,441,789 | \$ 13,817,440 | \$ 11,755,464 |

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**CLINTON PUBLIC SCHOOL DISTRICT**  
**Other Information**

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

**All Governmental Funds**

**Last Four Years**

**UNAUDITED**

|  | 2017          | 2016*         | 2015*         | 2014*         |
|--|---------------|---------------|---------------|---------------|
| <b>Revenues:</b>   |               |               |               |               |
| Local sources  | \$ 18,612,456 | \$ 17,292,432 | \$ 16,922,030 | \$ 15,970,155 |
| State sources  | 24,447,005    | 23,383,970    | 22,012,778    | 20,385,200    |
| Federal sources  | 3,315,185     | 3,920,388     | 3,701,305     | 3,449,803     |
| Sixteenth section sources                                    | 5,738,697     | 391,477       | 517,838       | 573,692       |
| Total Revenues   | 52,113,343    | 44,988,267    | 43,153,951    | 40,378,850    |
| <b>Expenditures:</b>   |               |               |               |               |
| Instruction  | 24,940,552    | 23,125,300    | 22,427,072    | 24,452,826    |
| Support services   | 15,022,329    | 17,567,281    | 15,102,858    | 17,035,849    |
| Noninstructional services                                    | 2,150,640     | 1,939,347     | 1,887,367     | 1,806,906     |
| Sixteenth Section  | 77,415        | 48,465        | 70,536        | 55,725        |
| Facilities acquisition and construction                      | 435,227       | 39,963        | 26,605        | 49,867        |
| Debt service:  |               |               |               |               |
| Principal  | 4,612,143     | 4,069,992     | 3,902,500     | 3,347,035     |
| Interest   | 914,726       | 1,029,364     | 1,128,356     | 1,150,192     |
| Other  | 7,393         | 7,758         | 7,628         | 6,643         |
| Total Expenditures   | 48,160,425    | 47,827,470    | 44,552,922    | 47,905,043    |
| Excess (Deficiency) of Revenues<br>over (under) Expenditures | 3,952,918     | (2,839,203)   | (1,398,971)   | (7,526,193)   |
| <b>Other Financing Sources (Uses):</b>                       |               |               |               |               |
| Inception of capital leases                                  | 1,824,495     |               | 397,283       | 4,251,758     |
| Insurance recovery   | 3,603         | 3,620         | 1,150         | 4,365,948     |
| Sale of transportation equipment                             | 2,900         | 2,858         | 5,200         |               |
| Sale of other property                                       | 234,336       | 190,865       | 775,000       |               |
| Other financing sources                                      | 415,000       | 381,727       | 402,089       | 408,200       |
| Operating transfers in                                       | 1,071,361     | 1,077,825     | 1,067,010     | 926,977       |
| Operating transfers out                                      | (1,071,361)   | (1,077,825)   | (1,067,010)   | (926,977)     |
| Other financing uses   | (415,000)     | (381,727)     | (402,089)     | (408,200)     |
| Total Other Financing Sources (Uses)                         | 2,065,334     | 197,343       | 1,178,633     | 8,617,706     |
| Net Change in Fund Balances                                  | 6,018,252     | (2,641,860)   | (220,338)     | 1,091,513     |
| Fund Balances:   |               |               |               |               |
| July 1   | 14,890,289    | 17,519,693    | 17,754,570    | 16,686,184    |
| Increase (Decrease) in reserve for inventory                 | 7,048         | 12,456        | (14,539)      | (23,127)      |
| End of Period  | \$ 20,915,589 | \$ 14,890,289 | \$ 17,519,693 | \$ 17,754,570 |

\*SOURCE - PRIOR YEAR AUDIT REPORTS

## REPORTS ON INTERNAL CONTROL AND COMPLIANCE



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

Superintendent and School Board  
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, 2017, and the related notes to the financial statements, which collectively comprise Clinton Public School District's basic financial statements, and have issued our report thereon dated October 31, 2017 .

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Clinton Public School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Clinton Public School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Clinton Public School District's internal control. A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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*.

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.

McKenzie CPA, PLLC  
Brandon, Mississippi  
October 31, 2017





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### **Independent Auditor's Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance Required by the 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, 2017. Clinton Public School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

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

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Clinton Public School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and 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 Clinton Public School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

#### ***Opinion on Each Major Federal Program***

In our opinion, Clinton Public School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

## Report on Internal Control Over Compliance

Management of 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 the 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 Clinton Public School District's internal control over compliance.

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

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

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

McKenzie CPA, PLLC  
Brandon, Mississippi  
October 31, 2017





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



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

Superintendent and School Board  
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, 2017, which collectively comprise Clinton Public School District's basic financial statements and have issued our report thereon dated October 31, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance.

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

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

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

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

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

McKenzie CPA, PLLC  
Brandon, Mississippi  
October 31, 2017

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CLINTON PUBLIC SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2017

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 weaknesses identified?                       | No            |
| b. | Significant deficiencies identified?                  | None reported |
|    |   |               |
| 3. | Noncompliance material to financial statements noted? | No            |

Federal Awards:

- |    |                                       |               |
|----|---------------------------------------|---------------|
| 4. | Internal control over major programs: |               |
| a. | Material weakness identified?         | No            |
| b. | Significant deficiency 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 2 CFR 200.516(a)? | No         |

7. Identification of major programs:

| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
|---------------------|---|
| 84.027; 84.173      | Special Education Cluster                 |

- |     |  |           |
|-----|--|-----------|
| 8.  | Dollar threshold used to distinguish between type A and type B programs:   | \$750,000 |
|     |  |           |
| 9.  | Auditee qualified as low-risk auditee?   | Yes       |
|     |  |           |
| 10. | Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2CFR 200.511(b). | No        |

CLINTON PUBLIC SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2017

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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