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CLARKSDALE MUNICIPAL SCHOOL DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2006

Robert Britt, CPA, P. A.  
Clarksdale, Mississippi



CLARKSDALE MUNICIPAL SCHOOL DISTRICT

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CLARKSDALE MUNICIPAL SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

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

Superintendent and School Board  
Clarksdale Municipal School District

I have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Clarksdale Municipal School District as of and for the year ended June 30, 2006, which collectively comprise the Clarksdale Municipal School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Clarksdale Municipal School District's management. My responsibility is to express opinions on these financial statements based on my audit.

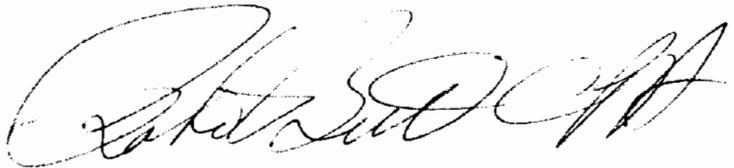
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinions.

In my opinion, 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 of the Clarksdale Municipal School District as of June 30, 2006 and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated March 21, 2008, on my consideration of the Clarksdale Municipal School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations contracts and grants and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis on pages 7 through 11 and the Budgetary Comparison Schedule and corresponding notes on pages 34 through 36 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Clarksdale Municipal School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative and Other Expenditures- Governmental Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information on these statements has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

A handwritten signature in cursive script, appearing to read "John W. Smith", written in black ink.

March 21, 2008

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

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CLARKSDALE MUNICIPAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2006

The discussion and analysis of Clarksdale Municipal School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2005. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

### FINANCIAL HIGHLIGHTS

Total net assets increased by \$2,079,403, which represents 34.8% increase from fiscal year 2005.

General revenues account for \$18,986,615 in revenue, or 72% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$7,429,316 or 28% of total revenues.

The District had \$24,336,528 in expenses; only \$7,429,316 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$18,986,615 were adequate to provide for these programs.

Among major funds, the General Fund had \$18,310,078 in revenues and \$17,203,548 in expenditures. The General Fund's fund balance increased \$910,328 over the prior year. This increase is the result of sound fiscal management.

Capital assets, net of accumulated depreciation, decreased by \$24,674.

Long-term debt decreased by \$892,816. The district issued \$5,275,000 in General Obligation Refinancing Bonds to retire existing bonds, with a higher interest rate. The new bonds will save the taxpayers of the district \$305,338 in debt service cost over the life of the new bonds compared to the retired bonds. The district, also, issued \$120,218 in new debt to cover a shortfall in ad valorem taxes from the prior year.

### OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

The statement of net assets presents information on all the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets 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 years.

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

The government-wide financial statements can be found on pages 14-15 of this report.

**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.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's current financing requirements. Governmental Funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash. The Governmental Funds Statements provide a detailed short-term view of the school district's operations.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 17 and 19, respectively.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts*. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

The basic governmental fund financial statements can be found on pages 16 and 18 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 20 and 21.

**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 on pages 22-31 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget process.

The District adopts an annual operating budget for all governmental funds. A budgetary comparison

statement has been provided for the General Fund and each additional major fund. This required supplementary information can be found on pages 34-36 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on pages 38-39 of this report and a schedule of instructional, administrative and other expenditures-governmental fund as required by the state auditor can be found on page 40.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Net assets.** Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$8,052,183 as of June 30, 2006.

The District's net assets are comprised of its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, and furniture and equipment, less any related debt used to acquire those assets that is still outstanding. The District's net capital assets are a major component of net assets, accounting for 22.5% of net assets. Of the remaining net assets 58.5% or 4,709,362 is unrestricted and may be expended at the discretion of the school board. The remaining 19.0% is restricted for debt service, capital improvements, and unemployment benefits.

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.

The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2006 compared to the same period in 2005.

	<u>Governmental Activities</u>		Percentage Change
	2006	2005	
Current assets	8,311,056	7,231,160	14.93%
Capital assets, net	<u>12,588,631</u>	<u>12,613,305</u>	<u>-0.20%</u>
Total assets	<u>20,899,687</u>	<u>19,844,465</u>	<u>5.32%</u>
Current liabilities	1,678,819	1,810,184	-7.26%
Long-term debt outstanding	<u>11,168,685</u>	<u>12,061,501</u>	<u>-7.40%</u>
Total liabilities	<u>12,847,504</u>	<u>13,871,685</u>	<u>-7.38%</u>
Net assets:			
Invested in capital assets, net of related debt	1,813,631	1,098,305	65.13%
Restricted	1,529,190	1,522,331	0.45%
Unrestricted	<u>4,709,362</u>	<u>3,352,144</u>	<u>40.49%</u>
Total net assets	<u>8,052,183</u>	<u>5,972,780</u>	<u>-34.81%</u>

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

The issuance of \$ 5,395,218 in new long-term debt and the principal retirement of \$6,222,188 of long-term debt.

The addition of \$548,975 in capital assets from the purchase of a school bus and purchase of equipment.

**Changes in net assets.** The District's total revenues for the fiscal year ended June 30, 2006 were \$26,415,931. The total cost of all programs and services was \$24,336,528. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2006 compared to the same period in 2005.

	Governmental Activities		Percent Change
	2006	2005	
<b>Revenues:</b>			
Program revenues			
Charges for services	233,709	372,605	-37.28%
Operating Grants and contributions	7,195,607	7,056,795	1.97%
General Revenues			
Property taxes	4,057,884	4,006,050	1.29%
Grants and contributions not restricted	14,797,136	13,905,672	6.41%
Other	131,595	151,100	-12.91%
<b>Total revenues</b>	<b>26,415,931</b>	<b>25,492,222</b>	<b>3.62%</b>
<b>Expenses:</b>			
Instruction	13,574,384	13,378,737	1.46%
Support services	8,616,130	8,141,605	5.83%
Non-instructional	1,908,592	1,829,290	4.34%
Interest on long-term obligations	237,422	598,082	-60.30%
<b>Total Expenses</b>	<b>24,336,528</b>	<b>23,947,714</b>	<b>1.62%</b>
<b>Increase (Decrease) in net assets</b>	<b>2,079,403</b>	<b>1,544,508</b>	<b>34.63%</b>

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

	Total Cost of Services		Percent Change	Net Revenue (Expense)		Percent Change
	2006	2005		2006	2005	
Instruction	13,574,384	13,378,737	1.46%	(10,805,178)	(10,313,573)	4.77
Support services	8,616,130	8,141,605	5.83%	(6,503,166)	(6,227,473)	4.43
Non-instructional	1,908,592	1,829,290	4.34%	14,114	(3,626)	-489.24
Interest on long-term obligatio	237,422	598,082	-60.30%	387,018	26,358	1368.31
	<u>24,336,528</u>	<u>23,947,714</u>	<u>1.62%</u>	<u>(16,907,212)</u>	<u>(16,518,314)</u>	<u>2.35</u>

Net cost of governmental activities \$ 16,960,383, was financed by general revenue, which is made up of primarily property taxes \$4,057,884 and State revenue \$ 14,484,245.

Investment earnings accounted for \$150,592 of funding.

#### 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, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District

completed the year, its governmental funds reported a combined fund balance of \$6,683,336, an increase of \$ 930,296 due primarily to sound fiscal management.

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 \$910,328 due primarily sound fiscal management. The fund balance of Other Governmental Funds showed an increase of \$19,968.

### BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget to account for expenditures in certain line items which exceeded original budgeted figures and to account for unanticipated revenue.

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

### CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2006, the District's total capital assets were \$22,485,657, including land, school buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$364,912 from the previous year due the purchase of a new bus and purchases of new equipment. Total accumulated depreciation as of June 30, 2005 was \$9,897,026 and total depreciation expense for the year was \$512,449, resulting in total net assets of \$12,588,631.

	Capital Assets Net of Depreciation		Percentage Change
	2006	2005	
Land	190,048	190,048	0.00%
Buildings	9,466,077	9,717,734	-2.59%
Buildings improvements	2,140,563	2,234,335	-4.20%
Mobile equipment	440,230	299,814	46.83%
Furniture and equipment	351,713	171,374	105.23%
Total	<u>12,588,631</u>	<u>12,613,305</u>	<u>-0.20%</u>

Additional information of the District's capital assets can be found in Note 5 on page 28 of this report.

**Debt Administration.** At June 30, 2006, the District had \$11,168,685 in general obligation bonds and other long-term debt outstanding, of which \$498,816 is due within one year. During the year the district issued \$120,218 of ad valorem tax shortfall notes. The entire amount was repaid in June of 2006.

The District maintains a AA bond rating.

	Outstanding Debt		Percentage Change
	2006	2005	
General obligation bonds payable	\$5,200,000	\$5,605,000	7.23%
Limited obligation bonds payable	\$5,640,000	\$5,975,000	5.61%
Three mill notes payable	\$0	\$69,000	100.00%
Other loans payable	\$88,130	\$106,100	16.94%
Compensated absences payable	<u>\$240,555</u>	<u>\$306,401</u>	<u>21.49%</u>
Total	<u>\$11,168,685</u>	<u>\$12,061,501</u>	<u>0.00%</u>

Additional information of the District's long-term debt can be found in Note 5 on pages 29-31 of this report.

### **CURRENT ISSUES**

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

The District is now committed to financial excellence. The millage has increased only slightly over the last few years despite additional mandated expenditures by the State of Mississippi. In addition, the district system of financial planning, budgeting and internal financial controls are now well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

Latest enrollment figures indicate that student enrollment in the District will decrease slightly. The budget for the next fiscal year has taken into account this reduction in both funding and staffing needs.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

Exhibit A

Statement of Net Assets

June 30, 2006

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
<b>Assets</b>	
Cash and cash equivalents (Note 3)	\$ 7,536,585
Investments	51,583
Due from other governments	719,824
Inventories and prepaid items	3,064
Capital assets not being depreciated	
Land	190,048
Capital assets net of accumulated depreciation	
Buildings	9,466,077
Building improvements	2,140,563
Mobile equipment	440,230
Furniture and equipment	351,713
	<hr/>
Total Assets	\$ <u>20,899,687</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 1,481,871
Interest payable on long-term liabilities	51,099
Deferred revenue	145,849
Long-term liabilities, due within one year (Note 6)	
Capital related liabilities	415,000
Non-capital related liabilities	83,816
Long-term liabilities, due beyond one year (Note 6)	
Capital related liabilities	10,360,000
Non-capital related liabilities	309,869
	<hr/>
Total Liabilities	\$ <u>12,847,504</u>
<b>Net Assets</b>	
Investment in capital assets, net of related debt	\$ 1,813,631
Restricted net assets:	
Expendable:	
Debt service	1,459,940
Capital improvements	7,979
Unemployment benefits	61,271
Unrestricted	4,709,362
	<hr/>
Total Net Assets	\$ <u>8,052,183</u>

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

## CLARKSDALE MUNICIPAL SCHOOL DISTRICT

Exhibit B

## Statement of Activities

For the Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Assets
				Primary Governmental Activities
Primary Government:				
Governmental Activities:				
Instruction	\$ 13,574,384	33,842	2,735,364	(10,805,178)
Support services	8,616,130	81,321	2,031,643	(6,503,166)
Non-instructional	1,908,592	118,546	1,804,160	14,114
Facilities acquisition & construction				0
Interest on long-term liabilities	237,422		624,440	387,018
Other debt service	0			0
Total governmental activities	\$ 24,336,528	233,709	7,195,607	(16,907,212)
Taxes:				
General purpose levies				3,316,870
Debt service levies				741,014
Unrestricted grants and contributions:				
State				14,484,245
Federal				216,446
Unrestricted investment earnings				150,592
Sixteenth section sources				34,174
Gaming				96,445
Loss on disposition of capital assets				(53,171)
Total General Revenues				18,986,615
Change in Net Assets				2,079,403
Net Assets - Beginning				5,972,780
Net Assets - Ending				\$ 8,052,183

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

## CLARKSDALE MUNICIPAL SCHOOL DISTRICT

Exhibit C

## Balance Sheet - Governmental Funds

June 30, 2006

	Major Funds			Total Governmental Funds
	General Fund	Title 1 Fund	Other Governmental Funds	
ASSETS				
Cash and cash equivalents (Note 3)	\$ 5,520,111	192,168	1,824,306	7,536,585
Investments			51,583	51,583
Due from other governments	254,925		464,899	719,824
Due from other funds (Note 4)	57,536		0	57,536
Inventories and prepaid items			3,064	3,064
<b>Total Assets</b>	<b>\$ 5,832,572</b>	<b>192,168</b>	<b>2,343,852</b>	<b>8,368,592</b>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,164,119	121,779	195,973	1,481,871
Due to other funds (Note 4)			57,536	57,536
Deferred Revenue		70,389	75,460	145,849
<b>Total Liabilities</b>	<b>1,164,119</b>	<b>192,168</b>	<b>328,969</b>	<b>1,685,256</b>
Fund Balances:				
Reserved for:				
Inventory			3,064	3,064
Capital projects			7,979	7,979
Debt service			1,459,940	1,459,940
Unemployment benefits			61,271	61,271
Unreserved:				
Undesignated, reported in:				
General fund	4,668,453			4,668,453
Special Revenue funds			482,629	482,629
<b>Total Fund Balances</b>	<b>4,668,453</b>	<b>0</b>	<b>2,014,883</b>	<b>6,683,336</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,832,572</b>	<b>192,168</b>	<b>2,343,852</b>	<b>8,368,592</b>

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

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

Exhibit C-1

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets  
June 30, 2006

	Amount
Total Fund Balance - Governmental Funds	\$ 6,683,336
Amounts reported for governmental activities in the statement of net assets are different because:	
1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$9,897,026. (Note 5)	12,588,631
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (Note 6)	(11,168,685)
3. Interest accrued on long-term liabilities is not due and payable in the current period and therefore is not reported in the funds.	<u>(51,099)</u>
Total Net Assets - Governmental Activities	\$ <u>8,052,183</u>

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

CLARKSDALE MUNICIPAL SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2006

Exhibit D

	Major Funds			Total Governmental Funds
	General Fund	Title I Fund	Other Governmental Funds	
<b>Revenues:</b>				
Local sources	\$ 3,609,387	3,539	1,048,749	4,661,675
State sources	14,484,245		1,381,521	15,865,766
Federal sources	216,446	1,967,528	3,723,513	5,907,487
Sixteenth section sources			34,174	34,174
<b>Total Revenues</b>	<b>18,310,078</b>	<b>1,971,067</b>	<b>6,187,957</b>	<b>26,469,102</b>
<b>Expenditures:</b>				
Instruction	10,500,359	1,120,287	2,036,889	13,657,535
Support services	6,646,704	803,557	1,250,135	8,700,396
Non instructional services	56,485	11,314	1,792,847	1,860,646
Facilities acquisition & construction			0	
Debt service:				
Principal			6,204,218	6,204,218
Interest			519,258	519,258
<b>Total Expenditures</b>	<b>17,203,548</b>	<b>1,935,158</b>	<b>11,803,347</b>	<b>30,942,053</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>1,106,530</b>	<b>35,909</b>	<b>(5,615,390)</b>	<b>(4,472,951)</b>
<b>Other Financing Sources (Uses):</b>				
Proceeds from General Obligation Bonds			5,275,000	5,275,000
Proceeds of loans	120,218		0	120,218
Insurance loss recoveries	8,029		0	8,029
Operating transfers in (Note 3)	38,425		462,590	501,015
Operating transfers out (Note 3)	(362,874)	(35,909)	(102,232)	(501,015)
<b>Total Other Financing Sources (Uses)</b>	<b>(196,202)</b>	<b>(35,909)</b>	<b>5,635,358</b>	<b>5,403,247</b>
<b>Net Change in Fund Balances</b>	<b>910,328</b>	<b>0</b>	<b>19,968</b>	<b>930,296</b>
<b>Fund Balances:</b>				
July 1, 2005	3,758,125	0	1,995,786	5,753,911
Decrease in reserve for inventory			(871)	(871)
<b>June 30, 2006</b>	<b>\$ 4,668,453</b>	<b>0</b>	<b>2,014,883</b>	<b>6,683,336</b>

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

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

Exhibit D-1

Reconciliation of the Governmental Funds Statement of Revenues,  
Expenditures and Changes in Fund Balances to the Statement of Activities  
For the Year Ended June 30, 2006

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ 930,296
Amounts reported for governmental activities in the statement of activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$548,975 and the depreciation expense amounted to \$512,449. (Note 5)	36,526
2. Increase in Compensated absences is not recorded in the governmental funds, but increases expense in the statement of activities. (Note 6)	65,846
3. Payment of interest on long-term liabilities is reported as an expenditure when paid in the governmental funds, but is accrued and expensed in the period incurred in the statement of activities. (Note 6)	281,836
4. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of activities. (Note 6)	6,222,188
5. Loan proceeds are recorded as other revenue sources in the governmental funds, but loan proceeds increase long-term in the statement of activities (Note 6)	(5,395,218)
6. Decrease in the inventory is reported as an adjustment to fund balance in the governmental funds, but non instructional expenditures are increased in the statement of activities.	<u>(871)</u>
Change in Net Assets of Governmental Activities	\$ <u>2,079,403</u>

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

CLARKSDALE MUNICIPAL SCHOOL DISTRICT  
Statement of Fiduciary Net Assets  
June 30, 2006

Exhibit E

	Private Purpose Trust Funds	Agency Funds
<b>Assets</b>		
Cash and cash equivalents (Note 3)	\$ <u>11,210</u>	\$ <u>15,245</u>
<b>Total Assets</b>	<b>\$ <u>11,210</u></b>	<b>\$ <u>15,245</u></b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities		1,264
Due to student clubs		<u>13,981</u>
<b>Total Liabilities</b>	<b>\$ <u>0</u></b>	<b>\$ <u>15,245</u></b>
<b>Net Assets</b>		
Restricted net assets:		
Expendable:		
Scholarships	810	
Nonexpendable		
Endowment for Scholarships	<u>10,400</u>	
<b>Total Net Assets</b>	<b>\$ <u>11,210</u></b>	<b>\$ <u>0</u></b>

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

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

Exhibit F

Statement of Changes in Fiduciary Net Assets  
For the Year Ended June 30, 2006

	<u>Private-Purpose Trust Funds</u>
<b>Additions</b>	
Interest on investments	\$ <u>237</u>
<b>Total Additions</b>	<u>237</u>
<b>Deductions</b>	
Scholarships awarded	<u>150</u>
<b>Total Deductions</b>	<u>150</u>
<b>Change in Net Assets</b>	<u>87</u>
<b>Net Assets</b>	
July 1, 2005	<u>11,123</u>
June 30, 2006	\$ <u><u>11,210</u></u>

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

# CLARKSDALE MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ending June 30, 2006

## (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.

For financial reporting purposes, the entity includes all funds that are covered by the oversight responsibility of the school district's governing board. 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, but not a component unit of, the City of Clarksdale since the governing authorities of the municipality select a majority of the school district's board but do not have financial accountability for the school district.

### B. Basis of Presentation.

The school district's basic financial statement consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

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

The Statement of Net Assets and Statement of Activities display information about the school district as a whole. They include all funds of the reporting entity except for fiduciary funds, if applicable. Governmental activities generally are financed through taxes, intergovernmental revenues and other non exchange revenues.

The Statement of Net Assets presents the financial condition of the governmental activities of the school district at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the school district's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the school district, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the school district.

#### *Fund Financial Statements:*

Fund financial statements of the school district are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category.

### C. Measurement Focus and Basis of Accounting.

In the government-wide Statement of Net Assets 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 recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flow takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like

# CLARKSDALE MUNICIPAL SCHOOL DISTRICT

## Notes to the Financial Statements For the Year Ending June 30, 2006

transactions are recognized when the exchange takes place. Program revenues on the Statement of Activities consist primarily of state appropriations and federal awards.

In the fund financial statements, governmental funds and agency funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Property taxes, state appropriations and federal awards associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The school district reports the following major governmental funds:

**General Fund** - This is the school district's primary operating fund. It accounts for all financial resources of the school district, except those required to be accounted for in another fund.

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

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of **Exhibit C**.

Additionally, the school district reports the following fund types:

### GOVERNMENTAL FUNDS

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted for specific expenditure purposes.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

### FIDUCIARY FUNDS

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

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

#### D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting* as issued in 2005 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2003* issued by the U.S. Department of Education.

#### E. Encumbrances.

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

# CLARKSDALE MUNICIPAL SCHOOL DISTRICT

## Notes to the Financial Statements For the Year Ending June 30, 2006

### F. Cash and Cash Equivalents.

The school district deposits excess funds in financial institutions selected by the school board. State statutes specify how these depositories are to be selected.

Cash and cash equivalents consists of amounts on deposit in demand accounts and certificates of deposit with maturities of three months or less. Cash and cash equivalents are valued at cost.

### G. 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 a maturity of three months or less when acquired.

Investments are reported at fair value.

### H. 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 cost 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 cost of such items are accounted for as expenditures in the period of acquisition.

### I. Capital Assets.

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.

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are reported in the government-wide statements.

Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details those thresholds.

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

# CLARKSDALE MUNICIPAL SCHOOL DISTRICT

## Notes to the Financial Statements For the Year Ending June 30, 2006

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

### J. Long-term liabilities.

Long-term liabilities are the unmatured principal of bonds, warrants, notes, or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. In the government-wide Statement of Net Assets, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column. See Note 6 for details.

### K. Interfund Transactions and Balances.

Interfund transactions and balances are the result of timing differences between the date expenses/expenditures occur and the date payments are made.

Short-term (due within one year) interfund loan receivables are reported as "due from other funds" and are considered available expendable resources. Noncurrent portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 4 for details for interfund transactions, including receivables and payables at year-end.

### L. Equity Classifications.

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

Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, constructions or improvement of those assets.
2. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

#### *Fund Financial Statements:*

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved classified as designated and undesignated.

Fund reserves are portions of fund equity that are legally segregated for specific future use or are not available for current operations. Following is a description of fund reserves used by the district:

# CLARKSDALE MUNICIPAL SCHOOL DISTRICT

## Notes to the Financial Statements For the Year Ending June 30, 2006

Reserved for inventory - An account that represents a portion of the fund balance which indicates that inventories do not represent available spendable resources even though they are a component of net current assets.

Reserved for capital improvements - An account that represents that portion of fund balance in the Capital Projects Fund which which was legally restricted and not available for spending for any other purpose than that for which it is restricted.

Reserved for debt service - An account that represents that portion of fund balance in the debt service fund which was legally restricted and not available for spending for any other purpose than that for which it is restricted.

Reserved for unemployment benefits - An account that represents a portion of the fund balance that is legally restricted for the payment of unemployment benefits.

### M. Property Taxes

Ad valorem property taxes are levied by the governing authorities 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.

### N. Mississippi Adequate Education Program Revenues.

Revenues from the 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.

### O. Compensated Absences.

Employees of the school district accumulate sick leave at a minimum as required by state law or at a greater amount provided by school district policy. 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 to do so by Section 37-7-307(5), Miss. Code Ann. (1972).

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

### P. Estimates.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

## (2) Changes in Accounting Standards

As required, the School District has implemented Government Accounting Standards Board ( GASB) Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* for the current fiscal year. This Statement requires governments to evaluate major events effecting capital assets to determine whether they are impaired. Such events include physical damage, changes in legal or environmental factors technology changes or obsolescence, changes in the manner or duration of use and construction stoppage. Appropriate note disclosures have been incorporated to comply with the requirements of this standard.

## (3) Cash and Cash Equivalents, and Investments

# CLARKSDALE MUNICIPAL SCHOOL DISTRICT

## Notes to the Financial Statements For the Year Ending June 30, 2006

### Cash and Cash Equivalents.

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 school district deposits in financial institutions are held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of a 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 Depository Insurance Corporation.

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

### Cash and Cash Equivalents.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$7,536,585 and \$26,455, respectively. The carrying amount of deposits reported in the governmentwide statements was: Cash and cash equivalents \$7,536,585. The bank balance was \$8,215,172.

### Investments.

As of June 30, 2006, the district had the following investments, which are all in an internal investment pool.

<u>InvestmentType</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Rating</u>
Handcock Horrizon Treasury Fund	Less than 1 year	<u>51583</u>	None
<b>Total Investments</b>		<u><u>51583</u></u>	

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2006 none of the district's bank balance of \$8,215,172 was exposed to custodial credit risk.

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ending June 30, 2006

*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. As of June 30, 2006 none of the district's investment balance of \$51,583 was exposed to custodial credit risk.

*Concentration of Credit Risk.* Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2006, the district did not have any investments requiring disclosure.

(4) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

Due From/To Other Funds:	<u>Due From</u>	<u>Due to</u>
Governmental Funds		
General Fund	57536	
Other Governmental Funds		57536
	<u>57536</u>	<u>57536</u>
Total	<u>\$57,536</u>	<u>\$57,536</u>

Interfund loans are necessary to provide cash to reimbursable programs at year end, since the actual cash is not received until after June 30.

B. Transfers In/Out:

Governmental Funds	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	38,425	362,874
Title I		35,909
Other Governmental Funds	462,590	102,232
	<u>501,015</u>	<u>501,015</u>
Total	<u>\$501,015</u>	<u>\$501,015</u>

Transfers were made from federal funds for indirect costs. Also, transfers were made from the General Fund to other governmental funds to offset program cost which were not reimbursed by state or federal funds.

(5) Capital Assets.

The following is a summary of changes in capital assets:

	<u>Balance</u> <u>7-1-05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Balance</u> <u>6-30-06</u>
Land	<u>190,048</u>				<u>190,048</u>

**CLARKSDALE MUNICIPAL SCHOOL DISTRICT**

**Notes to the Financial Statements  
For the Year Ending June 30, 2006**

Buildings	17,986,428				17,986,428
Buildings improvements	2,344,297				2,344,297
Mobile equipment	868,398	218,117			1,086,515
Furniture and equipment	<u>731,574</u>	<u>330,858</u>	<u>184,063</u>		<u>878,369</u>
<b>TOTAL DEPRECIABLE AS</b>	<b><u>21,930,697</u></b>	<b><u>548,975</u></b>	<b><u>184,063</u></b>	<b><u>0</u></b>	<b><u>22,295,609</u></b>
Less accumulated depreciation for:					
Buildings	8,268,694	251,657			8,520,351
Buildings improvements	109,962	93,772			203,734
Mobile equipment	568,584	77,701			646,285
Furniture and equipment	<u>560,200</u>	<u>89,319</u>	<u>122,863</u>		<u>526,656</u>
<b>Total accumulated depreciation</b>	<b><u>9,507,440</u></b>	<b><u>512,449</u></b>	<b><u>122,863</u></b>	<b><u>0</u></b>	<b><u>9,897,026</u></b>
<b>Net depreciable assets</b>	<b><u>12,423,257</u></b>	<b><u>36,526</u></b>	<b><u>61,200</u></b>	<b><u>0</u></b>	<b><u>12,398,583</u></b>
Governmental activities capital assets net	<u>12,613,305</u>	<u>36,526</u>	<u>61,200</u>	<u>0</u>	<u>12,588,631</u>

Depreciation was charged to the following functions:

	<u>Amount</u>
Instruction	270,065
Support services	195,309
Non-instructional	<u>47,075</u>
<b>Total depreciation expense</b>	<b><u>512,449</u></b>

The capital assets above include significant amounts of land which has been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition.

**(6) Long-term Liabilities.**

The following is a summary of changes in long-term liabilities:

	Balance			Balance	Due within
	<u>7-1-05</u>	<u>Additions</u>	<u>Reductions</u>	<u>6-30-06</u>	<u>one year</u>
A. General obligation bonds payable	\$5,605,000	\$5,275,000	\$5,680,000	\$5,200,000	\$60,000
B. Limited obligation bonds payable	5,975,000		335,000	5,640,000	355,000
C. Three mill notes payable	69,000		69,000	0	0
D. Short fall notes payable	0	120,218	120,218	0	0
E. Other loans payable	106,100		17,970	88,130	17,970
F. Compensated absences payable	<u>306,401</u>		<u>65,846</u>	<u>240,555</u>	<u>65,846</u>
<b>Total</b>	<b><u>\$12,061,501</u></b>	<b><u>\$5,395,218</u></b>	<b><u>\$6,288,034</u></b>	<b><u>\$11,168,685</u></b>	<b><u>\$498,816</u></b>

**A. General obligation bonds payable.**

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

# CLARKSDALE MUNICIPAL SCHOOL DISTRICT

## Notes to the Financial Statements For the Year Ending June 30, 2006

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
General Obligation Refinancing Bonds, Series 2005	3.3-3.8%	08/1/05	08/1/17	\$5,275,000	\$5,200,000

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

Year Ending June 30,	Principal	Interest	Total
2007	60,000	172,178	232,178
2008	445,000	165,552	610,552
2009	455,000	153,409	608,409
2010	470,000	140,220	610,220
2011	485,000	125,527	610,527
2012-2016	2,685,000	308,284	2,993,284
2017-2021	600,000	11,400	611,400
Total	<u>5,200,000</u>	<u>1,076,570</u>	<u>6,276,570</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by state statute. 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 state statutes, have been met. As of June 30, 2005, the amount of outstanding bonded indebtedness was equal to 7% of the property assessments as of September 30, 2005. This debt will be retired from the G O Bond debt service fund.

### B. Limited obligation bonds payable.

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
State aid capital improvement Bonds, Series 1998	4.5-6.25%	3/1/98	3/1/18	\$7,230,000	\$5,640,000

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

Year Ending June 30,	Principal	Interest	Total
2007	355,000	266,790	621,790
2008	375,000	245,135	620,135
2009	400,000	222,635	622,635
2010	415,000	204,235	619,235
2011	435,000	185,145	620,145
2012-2016	2,495,000	609,075	3,104,075
2017-2021	1,165,000	79,200	1,244,200
Total	<u>5,640,000</u>	<u>1,812,215</u>	<u>7,452,215</u>

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

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ending June 30, 2006

E. Other notes payable.

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Asbestos Removal NoteE	0.00%	4/16/93	5/30/13	\$438,175	\$ 88,130

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

Year Ending June 30,

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
266,790	17,970		17,970
245,135	17,970		17,970
222,635	17,970		17,970
204,235	17,970		17,970
204,236	16,250		16,250
<b>Total</b>	<b>88,130</b>	<b>0</b>	<b>88,130</b>

This debt will be retired from the asbestos removal fund.

F. Compensated absences payable.

As more fully explained in Note 1(P), compensated absences is adjusted on an annual basis as required by Section 37-7-307(5), Miss. Code Ann. (1972).

(7) Defined Benefit Pension Plan.

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

**Funding Policy.** PERS members are required to contribute 7.25% of their annual covered salary the school district is required to contribute at an actuarially determined rate. The current rate is 10.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2006, 2005, and 2004 were \$1,319,261, \$1,206,547 and \$1,157,094, respectively, which equaled the required contribution for each year.

(8) Risk Management.

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

Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consist of approximately 119 school districts and covers risks of loss arising from injuries to the school district's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of

# CLARKSDALE MUNICIPAL SCHOOL DISTRICT

## Notes to the Financial Statements For the Year Ending June 30, 2006

jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Bancorp South Bank in Jackson. The funds in the trust account are used to pay any claim up to \$500,000. For a claim exceeding \$500,000, MSBAWCT has insurance which will pay the excess up to \$25,000,000. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

## CLARKSDALE MUNICIPAL SCHOOL DISTRICT

Schedule 1

## Budgetary Comparison Schedule

## General Fund

For the Year Ended June 30, 2006

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 3,590,704	3,627,799	3,609,387	37,095	(18,412)
State sources	14,472,752	14,484,245	14,484,245	11,493	0
Federal Sources	225,366	213,271	216,446	(12,095)	3,175
<b>Total Revenues</b>	<b>18,288,822</b>	<b>18,325,315</b>	<b>18,310,078</b>	<b>36,493</b>	<b>(15,237)</b>
<b>Expenditures:</b>					
Instruction	10,540,741	10,485,975	10,500,359	54,766	(14,384)
Support services	6,562,375	6,510,734	6,646,704	51,641	(135,970)
Noninstructional services	60,222	56,485	56,485	3,737	0
Facilities acquisition & construction	120,000	135,970	0	(15,970)	135,970
<b>Debt service:</b>					
Principal			0	0	0
Interest			0	0	0
<b>Total Expenditures</b>	<b>17,283,338</b>	<b>17,189,164</b>	<b>17,203,548</b>	<b>94,174</b>	<b>(14,384)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>1,005,484</b>	<b>1,136,151</b>	<b>1,106,530</b>	<b>130,667</b>	<b>(29,621)</b>
<b>Other Financing Sources (Uses):</b>					
Proceeds of loans	0	0	120,218	0	120,218
Insurance loss recovery	0	8,029	8,029	8,029	0
Operating transfers in	40,000	38,425	38,425	(1,575)	0
Operating transfers out	(350,000)	(377,508)	(362,874)	(27,508)	14,634
<b>Total Other Financing Sources (Uses)</b>	<b>(310,000)</b>	<b>(331,054)</b>	<b>(196,202)</b>	<b>(21,054)</b>	<b>134,852</b>
<b>Net Change in Fund Balances</b>	<b>695,484</b>	<b>805,097</b>	<b>910,328</b>	<b>109,613</b>	<b>105,231</b>
<b>Fund Balances:</b>					
July 1, 2005	3,863,356	3,863,356	3,758,125	0	(105,231)
June 30, 2006	4,558,840	4,668,453	4,668,453	109,613	0

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

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

Budgetary Comparison Schedule

Title I Fund

For the Year Ended June 30, 2006

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 3,500	3,539	3,539	39	0
Federal sources	1,975,000	1,967,528	1,967,528	(7,472)	0
Total Revenues	1,978,500	1,971,067	1,971,067	(7,433)	0
Expenditures:					
Instruction	1,130,000	1,120,287	1,120,287	(9,713)	0
Support services	800,000	803,557	803,557	3,557	0
Noninstructional services	10,000	11,314	11,314	1,314	0
Total Expenditures	1,940,000	1,935,158	1,935,158	(4,842)	0
Excess (Deficiency) of Revenues Over Expenditures	38,500	35,909	35,909	(2,591)	0
Other Financing Sources (Uses):					
Operating transfers out	(38,500)	(35,909)	(35,909)	2,591	0
Total Other Financing Sources (Uses)	(38,500)	(35,909)	(35,909)	2,591	0
Net Change in Fund Balances	0	0	0	0	0
Fund Balances:					
July 1, 2003	0	0	0	0	0
June 30, 2004	0	0	0	0	0

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

# CLARKSDALE MUNICIPAL SCHOOL DISTRICT

## Notes to the Required Supplementary Information For the Year Ending June 30, 2006

### Notes to the Required Supplementary Information

#### (1) Basis of Presentation.

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

#### (2) Budget amendments and revisions.

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

#### (3) Individual Fund Disclosures.

The District Maintenance Fund has an excess of expenditures over budget in the amount of \$14,384. The fund with the excess of expenditures over budget is not in violation of state law since the excess resulted from auditor's adjustments.

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

CLARKSDALE MUNICIPAL SCHOOL DISTRICT  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2006

Schedule 4

Federal Grantor/ Pass-through Grantor/ <u>Program Title</u>	Catalog of Federal Domestic <u>Assistance Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>		
Passed through the Mississippi Department of Education:		
Non-cash assistance: Food Donation	10.550	103,529
Child Nutrition Cluster:		
School Breakfast Program	10.553	514,866
National School Lunch Program	10.555	1,274,530
Summer Food Service Program for Children	10.559	<u>16,728</u>
Total Nutrition Cluster		<u>1,806,124</u>
Child and adult care food program	10.558	<u>2,349</u>
Total Passed through Mississippi Department of Education		<u>1,912,002</u>
Total U.S. Department of Agriculture		<u>1,912,002</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company		
The schools and libraries program of the universal service fund	32.XXX	<u>188,930</u>
Total Federal Communication Commission		<u>188,930</u>
<u>U.S. Department of Education</u>		
Passed through Mississippi Department of Education		
Special Education Cluster		
Special education grants to state	84.027	817,562
Special education - preschool grants	84.173	<u>28,522</u>
Total Special Education Cluster		<u>846,084</u>

Title I grants to local educational agencies	84.010	1,996,493
Vocational education - basic grants to states	84.048	84,738
Safe and drug free schools and communities- state grants	84.186	44,216
State grants for innovative programs	84.298	12,806
Education technology state grants	84.318	69,867
Reading First State Grants	84.357	65,617
Rural education	84.358	163,657
Improving teacher quality - state grants	84.367	394,399
Hurricane Education Recovery	84.938	66,711
Total Passed through Mississippi Department of Education		<u>3,744,588</u>
Total U.S. Department of Education		<u>3,744,588</u>
Total for All Federal Awards		<u>5,845,520</u>

NOTES TO SCHEDULE

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

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

Schedule 4

Schedule of Instructional, Administrative and Other Expenditures- Governmental Funds  
 Schedule of Instructional, Administrative and Other Expenditures- Governmental Funds  
 For the Year Ended June 30, 2006

Functions/Programs	Total	Instructional and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 18,676,366	\$ 14,416,603	\$ 744,898	1,438,235	\$ 2,076,630
Other expenditures	12,265,687	1,989,888	485,752	71,540	9,718,507
Total	\$ 30,942,053	\$ 16,406,491	\$ 1,230,650	1,509,775	\$ 11,795,137
Total number of students:	3,632				
Cost per student:	\$ <u>8,519</u>	\$ <u>4,517</u>	\$ <u>339</u>	<u>416</u>	\$ <u>3,248</u>

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

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

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

School Administration - includes expenditures for the following functions; Support Services - School Administration (2400s)

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

include 100 and 200 range object codes on the "Salary and fringe benefits" line; all other expenditures on the "Other" line.

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

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

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

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

Superintendent and School Board  
Clarksdale Municipal School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Clarksdale Municipal School District as of and for the year ended June 30, 2006, which collectively comprise the Clarksdale Municipal School District's basic financial statements as listed in the table of contents and have issued my report thereon dated March 21, 2008. I conducted my 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.

## Internal Control Over Financial Reporting

In planning and performing our audit, I considered the school district's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I did not note any matters involving internal control over financial reporting and its operation that I consider to be material weaknesses.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 my audit and, accordingly, I do not express such an opinion. The results of my tests did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script, appearing to read "Robert Burt".

March 21, 2008

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE REQUIREMENTS  
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Superintendent and School Board  
Clarksdale Municipal School District

### Compliance

I have audited the compliance of the Clarksdale Municipal School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the district's management. My responsibility is to express an opinion on the school district's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America: the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the school district's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the school district's compliance with those requirements.

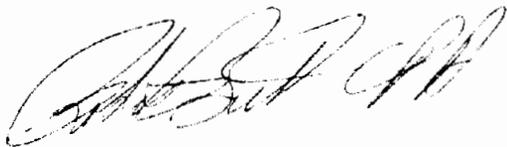
In my opinion, the Clarksdale Municipal School District, complied, in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

### Internal Control Over Compliance

The management of the Clarksdale Municipal School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the school district's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I did not note any matters involving internal control over compliance and its operation that I consider to be material weaknesses.

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. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script, appearing to read 'C. B. P. P.', is located below the text. The signature is written in dark ink and is somewhat stylized.

March 21, 2008

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

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

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

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

Superintendent and School Board  
Clarksdale Municipal School District

I have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Clarksdale Municipal School District as of and for the year ended June 30, 2006, which collectively comprise the Clarksdale Municipal School District's basic financial statements and have issued my report thereon dated March 21, 2008. I conducted my 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), 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, I 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 my audit and, accordingly, I do not express such an opinion.

The results of my procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$119,094 of classroom supply funds carried over from previous years.

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. However, this report is a matter of public record and its distribution is not limited.



March 21, 2008

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

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CLARKSDALE MUNICIPAL SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

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CLARKSDALE MUNICIPAL SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2006

Section 1: Summary of Auditor's results

**Financial Statements:**

- |  |             |
|--|-------------|
| 1. Type of auditor's report issued on the general purpose financial statements:          | Unqualified |
| 2. Material noncompliance relating to the general purpose financial statements?          | No          |
| 3. Internal control over financial reporting:  |             |
| a. Material weakness(es) identified?   | No          |
| b. Reportable condition(s) identified that are not considered to be material weaknesses? | No          |

**Federal Awards:**

- |  |             |
|--|-------------|
| 4. Type of auditor's opinion issues on compliance for major programs:                    | Unqualified |
| 5. Internal control over major programs:   |             |
| a. Material weakness(es) identified?   | No          |
| b. Reportable condition(s) identified that are not considered to be material weaknesses? | No          |
| 6. Any audit finding(s) reported as required by Section ____510(a) of Circular A-133?    | No          |
| 7. The major programs were:  |             |

- |  |               |
|--|---------------|
| Child Nutrition Cluster                      |               |
| School Breakfast Program                     | - CFDA 10.553 |
| National School Lunch Program                | - CFDA 10.555 |
| Summer Food Service Program for Children     | - CFDA 10.559 |
| Special Education Cluster                    |               |
| Special Education Grants to States           | - CFDA 84.027 |
| Special Education Preschool Grants           | - CFDA 84.173 |
| Title I Grants to Local Educational Agencies | - CFDA 84.010 |
| Improving Teacher Quality - State Grants     | - CFDA 84.367 |

- |  |            |
|--|------------|
| 8. The dollar threshold used to distinguish between Type A and Type B programs:  | \$300,000. |
| 9. Auditee qualified as a low-risk auditee?  | Yes        |
| 10. Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary of prior audit findings as discussed in Section ____315(b) of OMB Circular A-133. | No         |

Section 2: Findings Related to the Financial Statements

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

Section 3: Findings and Questioned Cost for Federal Awards

The result of my test did not disclose any findings and questioned cost related to the federal awards.