

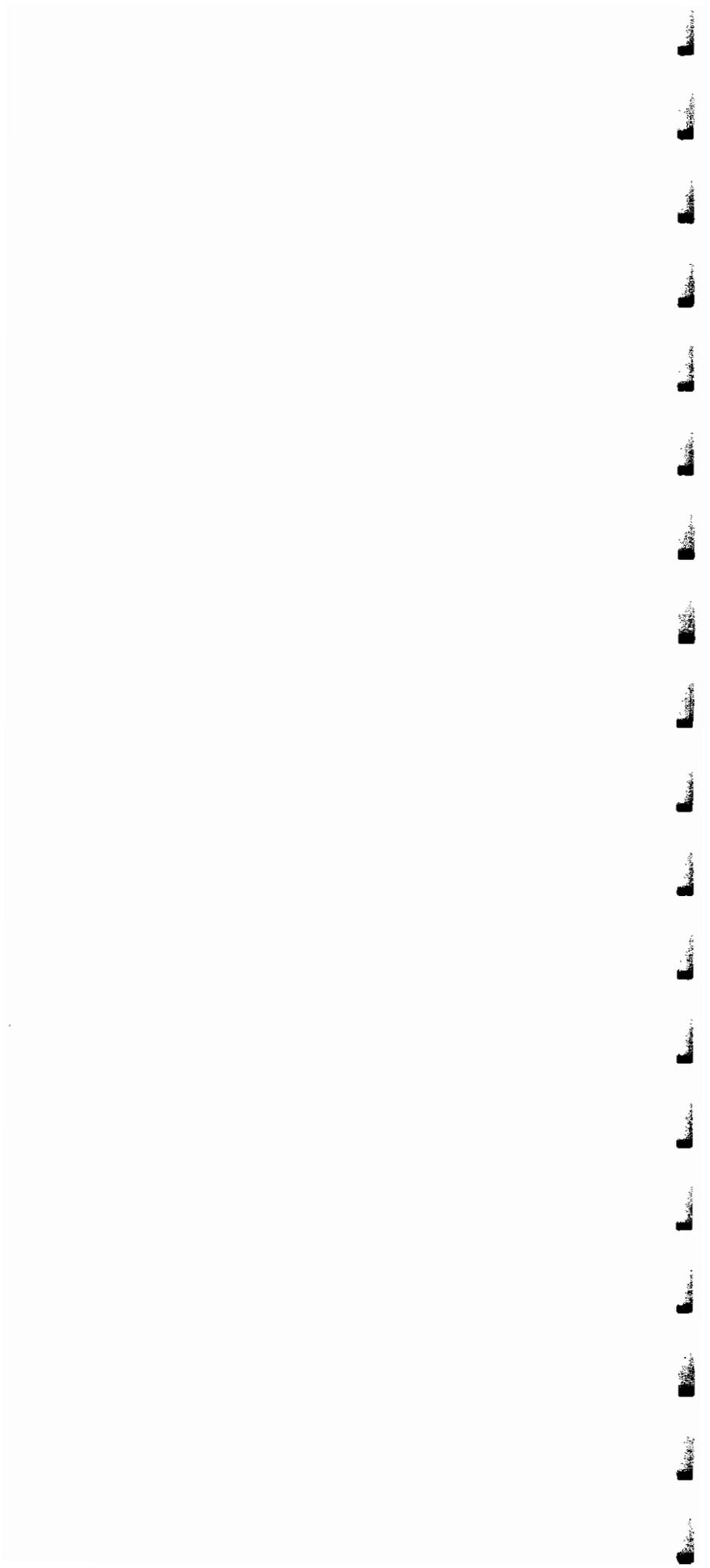


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CLARKSDALE MUNICIPAL SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2008

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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Robert Britt, CPA, P. A.

P. O. BOX 1477
547 B SENELOWER AVENUE

TELEPHONE 662-624-6084
FAX 662-627-3984
CLARKSDALE MISSISSIPPI 38614

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, 2008, 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.

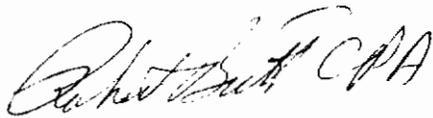
In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Clarksdale Municipal School District as of June 30, 2008, and the respective 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 August 14, 2009 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 grant agreements 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 12 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 the Governmental Accounting Standards Board. 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 conducted 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 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 basic financial statements taken as a whole.

The other supplemental 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, is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on it.



August 14, 2009

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, 2008

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, 2008. 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 \$1,499,190, which represents 17% increase from fiscal year 2007.

General revenues account for \$21,042,709 in revenue, or 73% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$7,950,429 or 27% of total revenues.

The District had \$27,493,948 in expenses; only \$7,950,429 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$21,042,709 and assets carried over from the prior year were adequate to provide for these programs.

Among major funds, the General Fund had \$20,172,950 in revenues and \$18,654,908 in expenditures. The General Fund's fund balance increased \$1,198,102 over the prior year. This increase is from sound fiscal management. The Title I Fund had \$2,559,886 in revenues and in expenditures, including transfers out and had no fund balance in either the current or prior year. Discounting unforeseen events the District should remain in sound fiscal condition.

Capital assets, net of accumulated depreciation, decreased by \$375,096.

Long-term liabilities decreased by \$333,782. The district issued \$4,970,000 in Limited Liability Bonds to refund its current Limited Liability bonds. This refunding will save the district and the taxpayers of the school district approximately \$100,000 over the life of the bonds. In addition the district issued \$96,905 in new debt to fund a shortfall in ad valorem.

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* issued by the Mississippi Department of Education. 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, respectively.

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 of 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 22-32 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 schedule has been provided for the General Fund and each major special revenue fund that has a legally adopted budget. This required supplementary information can be found on pages 34-36 of this report.

Additionally, a schedule of expenditures of federal awards as required by OMB Cir. A-133 and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found on pages 38-40 of this report.

Also, included in the other supplemental information section are 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. This information is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements.

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 \$10,402,652 as of June 30, 2008.

The largest portion of the District's net assets (60.7%) is unrestricted net assets. These unrestricted assets are available for any legal purpose at the discretion of the board. The next largest portion of the District's net assets (18.6%) is 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 uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

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, 2008 compared to the same period in 2007.

	<u>Governmental Activities</u>		Percentage Change
	2008	2007	
Current assets	9,439,399	7,630,888	23.70%
Capital assets, net	<u>11,566,312</u>	<u>11,941,408</u>	<u>-3.14%</u>
Total assets	<u>21,005,711</u>	<u>19,572,296</u>	<u>7.32%</u>
Current liabilities	559,705	291,698	91.88%
Long-term debt outstanding	<u>10,043,354</u>	<u>10,377,136</u>	<u>-3.22%</u>
Total liabilities	<u>10,603,059</u>	<u>10,668,834</u>	<u>-0.62%</u>
Net assets:			
Invested in capital assets, net of related debt	1,931,312	1,881,408	2.65%
Restricted	2,562,010	2,219,608	15.43%
Unrestricted	<u>5,909,330</u>	<u>4,802,446</u>	<u>23.05%</u>
Total net assets	<u>10,402,652</u>	<u>8,903,462</u>	<u>16.84%</u>

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

The addition of \$62,393 in capital assets from the purchasing of maintenance equipment

The retirement of 442,971 long term debt.

Changes in net assets. The District's total revenues for the fiscal year ended June 20, 2008 were \$28,993,138. The total cost of all programs and services was \$27,493,948. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2008 compared to the same period in 2007.

	Governmental Activities		Percentage
	2008	2007	Change
Revenues:			
Program revenues			
Charges for services	242,871	318,944	-23.85%
Operating grants and contributions	7,707,558	8,825,773	-12.67%
General Revenues			
Property taxes	3,998,075	3,842,759	4.04%
Grants and contributions not restricted	16,428,380	13,718,050	19.76%
Other	616,254	303,439	103.09%
Total revenues	28,993,138	27,008,965	7.35%
Expenses:			
Instruction	15,514,649	14,425,300	7.55%
Support services	9,591,962	9,256,231	3.63%
Non-instructional	1,861,309	1,617,882	15.05%
Interest on long-term obligations	526,028	464,793	13.17%
Total Expenses	27,493,948	25,764,206	6.71%
Increase (Decrease) in net assets	1,499,190	1,244,759	20.44%
Net assets July 1	8,903,462	8,052,183	10.57%
Prior period adjustment		(393,480)	100.00%
Net assets July 1 - as restated	8,903,462	7,658,703	16.25%
Net assets June 30	10,402,652	8,903,462	16.84%

Governmental activities. The following table presents the cost of four major District functional activities: instruction, support services, non-instructional, and interest on long-term debt. 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
	2008	2007		2008	2007	
Instruction	15,514,649	14,425,300	7.55%	(11,881,152)	(9,757,457)	21.76%
Support services	9,591,962	9,256,231	3.63%	(7,777,952)	(7,310,419)	6.40%
Non-instructional	1,861,309	1,617,882	15.05%	17,173	248,740	-93.10%
Interest on long-term obligation	526,028	464,793	13.17%	98,412	199,647	-50.71%
	27,493,948	25,764,206	6.71%	(19,543,519)	(16,619,489)	17.59%

Net cost of governmental activities \$19,543,519, was financed by general revenue, which is made up of primarily property taxes \$3,998,075, state revenue \$16,327,474, and federal revenue \$100,906.

Investment earnings accounted for \$446,706 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 \$8,975,245, an increase of \$1,574,761 due primarily to sound fiscal management. \$7,308,870 or 81% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$1,666,375 or 19% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$1,198,102 due primarily to sound fiscal management. The Title I Fund had no change in fund balance. The fund balance of Other Governmental Funds showed an increase of \$376,669 due primarily to funds accumulated by Food Service to replace equipment.

BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget.

Budget amounts for revenue in the general fund were increased because revenues from the state were greater than those originally expected and interest rates were better than expected. Expenditures were increased or reduced to match actual expenditures. Budgeted amounts for revenue and expenditures in the Title I Fund were adjusted to actual amounts as revenue is realized at the point of expenditure. In other governmental funds expenditures and revenue was adjusted to actual amounts.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2008, the District's total capital assets were \$22,969,864, including land, school buildings, busses, other school vehicles and furniture and equipment. This amount represents an decrease of \$5,840 from the previous year due to deletions exceeding purchases. Total accumulated depreciation as of June 30, 2008 was \$11,403,552 and total depreciation expense for the year was \$432,187, resulting in total net assets of \$11,566,312.

	Capital Assets Net of Depreciation		Percentage Change
	2008	2007	
Land	193,382	190,048	1.75%
Buildings	8,689,741	8,868,299	-2.01%
Buildings improvements	1,986,680	2,080,452	-4.51%
Mobile equipment	475,665	506,195	-6.03%
Furniture and equipment	220,844	296,414	-25.49%
Total	<u>11,566,312</u>	<u>11,941,408</u>	<u>-3.14%</u>

Additional information of the District's capital assets can be found in Note 4 on pages 28 and 29.

Debt Administration. At June 30, 2008, the District had \$10,043,354 in general obligation bonds and other long-term debt outstanding, of which \$989,875 is due within one year. During the year the district issued \$4,970,000 in Limited Liability Bonds to refund its current Limited Liability bonds. This refunding will save the district and the taxpayers of the school district approximately \$100,000 over the life of the bonds. In addition the district issued \$96,905 in new debt to fund a shortfall in ad valorem.

The District maintains a AA bond rating.

	Outstanding Debt		Percentage
	<u>2008</u>	<u>2007</u>	<u>Change</u>
General obligation bonds payable	\$4,695,000	\$4,775,000	-1.68%
Limited obligation bonds payable	\$4,940,000	\$5,285,000	-6.53%
Shortfall notes payable	\$96,905	\$0	100.00%
Other loans payable	\$52,189	\$70,160	-25.61%
Compensated absences payable	\$259,260	\$246,976	4.97%
Total	<u>\$10,043,354</u>	<u>\$10,377,136</u>	<u>-3.22%</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 remained fairly constant over the last few years and no major increase is expected in the future. In addition, the district's system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

Latest enrollment figures indicate that student enrollment in the District will decrease by approximately 30 students. The budget for the next fiscal year has taken this into account 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, 2008

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 8,459,726
Investments	74,913
Due from other governments	887,505
Inventories	17,255
Capital assets not being depreciated	
Land	193,382
Capital assets net of accumulated depreciation	
Buildings	8,689,741
Building improvements	1,986,680
Mobile equipment	475,665
Furniture and equipment	220,844
Total Assets	\$ 21,005,711
Liabilities	
Accounts payable and accrued liabilities	\$ 301,586
Interest payable on long-term liabilities	95,551
Unearned revenue	162,568
Long-term liabilities, due within one year	
Capital related liabilities	875,000
Non-capital related liabilities	114,875
Long-term liabilities, due beyond one year	
Capital related liabilities	8,760,000
Non-capital related liabilities	293,479
Total Liabilities	\$ 10,603,059
Net Assets	
Investment in capital assets, net of related debt	\$ 1,931,312
Restricted net assets:	
Expendable:	
School based activities	1,008,441
Debt service	1,483,529
Capital improvements	17
Unemployment benefits	70,023
Unrestricted	5,909,330
Total Net Assets	\$ 10,402,652

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, 2008

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction	\$ 15,514,649	33,842	3,599,655	(11,881,152)
Support services	9,591,962	81,321	1,732,689	(7,777,952)
Non-instructional	1,861,309	127,708	1,750,774	17,173
Interest on long-term liabilities	526,028		624,440	98,412
Total governmental activities	\$ 27,493,948	242,871	7,707,558	(19,543,519)
Taxes:				
General purpose levies				3,286,052
Debt service levies				712,023
Unrestricted grants and contributions:				
State				16,327,474
Federal				100,906
Unrestricted investment earnings				446,706
Sixteenth section sources				36,207
Gaming				39,543
Other				93,798
Total General Revenues				21,042,709
Change in Net Assets				1,499,190
Net Assets - Beginning				8,903,462
Net Assets - Ending			\$	10,402,652

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, 2008

	Major Funds			
	General Fund	Title 1 Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents (Note 2)	\$ 6,046,937	193,491	2,219,298	8,459,726
Investments			74,913	74,913
Due from other governments	315,041		572,464	887,505
Due from other funds (Note 3)	49,676		0	49,676
Inventories			17,255	17,255
Total Assets	\$ 6,411,654	193,491	2,883,930	9,489,075
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 93,970	139,523	68,093	301,586
Due to other funds (Note 3)			49,676	49,676
Unearned revenue		53,968	108,600	162,568
Total Liabilities	93,970	193,491	226,369	513,830
Fund Balances:				
Reserved for:				
Inventory			17,255	17,255
Capital projects			17	17
Debt service			1,579,080	1,579,080
Unemployment benefits			70,023	70,023
Unreserved:				
Undesignated, reported in:				
General fund	6,317,684			6,317,684
Special Revenue funds			991,186	991,186
Total Fund Balances	6,317,684	0	2,657,561	8,975,245
Total Liabilities and Fund Balances	\$ 6,411,654	193,491	2,883,930	9,489,075

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, 2008

	Amount
Total Fund Balance - Governmental Funds	\$ 8,975,245
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 \$11,403,552. (Note 4)	11,566,312
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (Note 5)	(10,043,354)
3. Interest accrued on long-term liabilities is not due and payable in the current period and therefore is not reported in the funds.	(95,551)
Total Net Assets - Governmental Activities	\$ 10,402,652

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, 2008

Exhibit D

	Major Funds			Total Governmental Funds
	General Fund	Title 1 Fund	Other Governmental Funds	
Revenues:				
Local sources	\$ 3,744,570	5,164	1,030,109	4,779,843
State sources	16,327,474		1,440,911	17,768,385
Federal sources	100,906	2,554,722	3,761,707	6,417,335
Sixteenth section sources			36,207	36,207
Total Revenues	20,172,950	2,559,886	6,268,934	29,001,770
Expenditures:				
Instruction	11,480,483	1,468,046	2,239,548	15,188,077
Support services	7,169,255	1,030,593	1,349,163	9,549,011
Non instructional services	1,836	22,565	1,837,375	1,861,776
Facilities acquisition & construction	3,334			3,334
Debt service:				
Principal			502,971	502,971
Interest			452,666	452,666
Total Expenditures	18,654,908	2,521,204	6,381,723	27,557,835
Excess (Deficiency) of Revenues Over Expenditures	1,518,042	38,682	(112,789)	1,443,935
Other Financing Sources (Uses):				
Proceeds from Limited Obligation Bonds			4,970,000	4,970,000
Proceeds of loans	96,905			96,905
Sale of other property	4			4
Operating transfers in (Note 3)	122,816		559,934	682,750
Operating transfers out (Note 3)	(539,665)	(38,682)	(104,403)	(682,750)
Payment to refunded bond escrow agent			(4,949,095)	(4,949,095)
Total Other Financing Sources (Uses)	(319,940)	(38,682)	476,436	117,814
Net Change in Fund Balances	1,198,102	0	363,647	1,561,749
Fund Balances:				
July 1, 2007	5,119,582	0	2,280,892	7,400,474
Increase in reserve for inventory			13,022	13,022
June 30, 2008	\$ 6,317,684	0	2,657,561	8,975,245

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

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

Exhibit D-1Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2008

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ 1,561,749
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 \$65,727 and the depreciation expense amounted to \$432,187. (Note 4)	(366,460)
2. Increase in Compensated absences is not recorded in the governmental funds, but increases expense in the statement of activities. (Note 5)	(12,284)
3. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.	(34,267)
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 5)	5,412,971
5. Loan proceeds are recorded as other revenue sources in the governmental funds, but loan proceeds increase long-term liabilities in the statement of activities (Note 5)	(5,066,905)
6. Gains and losses on the sale or disposals of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds.	(8,636)
7. Increase in the inventory is reported as an adjustment to fund balance in the governmental funds, but non instructional expenditures are decreased in the statement of activities.	<u>13,022</u>
Change in Net Assets of Governmental Activities	\$ <u>1,499,190</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, 2008

Exhibit E

	Private Purpose Trust Funds	Agency Funds
Assets		
Cash and cash equivalents (Note 2)	\$ 11,883	\$ 1,319,749
Other receivables net		367
Total Assets	\$ 11,883	\$ 1,320,116
Liabilities		
Accounts payable and accrued liabilities		1,312,113
Due to student clubs		8,003
Total Liabilities	\$ 0	\$ 1,320,116
Net Assets		
Restricted net assets:		
Expendable:		
Scholarships	1,483	
Nonexpendable		
Endowment for Scholarships	10,400	
Total Net Assets	\$ 11,883	\$ 0

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, 2008

	<u>Private-Purpose Trust Funds</u>
Additions	
Interest on investments	\$ 447
Total Additions	<u>447</u>
Deductions	
Scholarships awarded	<u>50</u>
Total Deductions	<u>50</u>
Change in Net Assets	<u>397</u>
Net Assets	
July 1, 2007	<u>11,486</u>
June 30, 2008	<u>\$ 11,883</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, 2008

(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, 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 the financial accountability for the school district.

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

B. Basis of Presentation.

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.

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ending June 30, 2008

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 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 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 federally 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 the governmental fund financial statements.

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.

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ending June 30, 2008

E. Encumbrances.

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

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 original 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 an original maturity greater than three months when acquired.

Investments are reported at fair market 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 acquisitions 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.

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
Land	\$ 0	0
Buildings	\$50,000	40 years
Buildings improvements	\$25,000	20 years

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ending June 30, 2008

Improvements other than buildings	\$25,000	20 years
Mobile equipment	\$ 5,000	5-10 years
Furniture and equipment	\$ 5,000	3-7 years
Leased property under capital leases	\$ *	*

(*) The threshold amount will correspond with the amounts for the asset classifications, as listed.
See Note 4 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 liabilities are reported as liabilities in the governmental activities column. See Note 5 for details.

K. Interfund Transactions.

Interfund transactions and balances are the result of timing differences between the date 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 the budget requires to collect to the fund that statute or the 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 3 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."

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ending June 30, 2008

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:

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 projects - An account that represents that portion of fund balance in the Capital Projects Fund 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.

Unreserved, undesignated - An account that represents the portion of fund balance that is expendable available financial resources.

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 only 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) Cash and Cash Equivalents 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:

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ending June 30, 2008

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 Deposit 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 \$8,459,726 and \$1,331,632, respectively. The carrying amount of deposits reported in the governmentwide statements was: Cash and cash equivalents \$8,459,726. The bank balance was \$10,124,823.

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, 2008, none of the district's bank balance of \$10,124,823 was exposed to custodial credit risk.

Investments.

As of June 30, 2008, the district had the following investments, which are all in an internal investment pool.

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Rating</u>
Hancock Horizon Treasury Money Market Mutual Fund	Less than 1 year	<u>74,913</u>	None
Total Investments		<u><u>74,913</u></u>	

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

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ending June 30, 2008

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. The investments in the Hancock Horizon Treasury Money Market Mutual Funds are uninsured and unregistered and are not backed by the full faith and credit of the federal government.

(3) Interfund Transactions.

The following is a summary of interfund transactions:

A. Due From/To Other Funds:

Due From/To Other Funds:	<u>Due From</u>	<u>Due to</u>
Governmental Funds		
General Fund	49,676	
Other Governmental Funds		49,676
Total	<u>\$49,676</u>	<u>\$49,676</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:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds		
General Fund	122,816	539,665
Title I		38,682
Other Governmental Funds	559,934	104,403
Total	<u>\$682,750</u>	<u>\$682,750</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.

(4) Capital Assets.

The following is a summary of changes in capital assets:

	<u>Balance</u> 07/01/2007	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> 06/30/2008
Land	190,048	3,334		193,382
Buildings	18,334,228			18,334,228
Buildings improvements	2,344,297			2,344,297
Mobile equipment	1,222,130	62,393		1,284,523
Furniture and equipment	885,001		71,567	813,434
Total Depreciable Assets	<u>22,785,656</u>	<u>62,393</u>	<u>71,567</u>	<u>22,776,482</u>

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ending June 30, 2008

Less accumulated depreciation for:

Buildings	9,465,929	178,558		9,644,487
Buildings improvements	263,845	93,772		357,617
Mobile equipment	715,935	92,923		808,858
Furniture and equipment	<u>588,587</u>	<u>66,934</u>	62,931	<u>592,590</u>
Total accumulated depreciation	<u>11,034,296</u>	<u>432,187</u>	<u>62,931</u>	<u>11,403,552</u>
Net depreciable assets	<u>11,751,360</u>	<u>(369,794)</u>	<u>8,636</u>	<u>11,372,930</u>
Governmental activities capital assets net	<u>11,941,408</u>	<u>(366,460)</u>	<u>8,636</u>	<u>11,566,312</u>

Depreciation was charged to the following functions:

	<u>Amount</u>
Instruction	314,288
Support services	108,678
Non-instructional	<u>9,221</u>
Total depreciation expense	<u>432,187</u>

The capital assets above include significant amounts of buildings which have 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.

(5) Long-term liabilities.

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

	Balance <u>07/01/2007</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>06/30/2008</u>	Due within <u>one year</u>
A. General obligation bonds payable	\$4,775,000		\$80,000	\$4,695,000	\$455,000
B. Limited obligation bonds payable	5,285,000	4,970,000	5,315,000	4,940,000	420,000
C. Short fall notes payable	0	96,905		96,905	96,905
D. Other loans payable	70,160		17,971	52,189	17,970
E. Compensated absences payable	<u>246,976</u>	<u>12,284</u>		<u>259,260</u>	0
Total	<u>\$10,377,136</u>	<u>\$5,079,189</u>	<u>\$5,412,971</u>	<u>\$10,043,354</u>	<u>\$989,875</u>

A. General obligation bonds payable.

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

<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%	8/1/05	8/1/16	\$5,275,000	\$4,695,000

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ending June 30, 2008

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

Year Ending June 30,	Principal	Intereat	Total
2009	455,000	153,409	608,409
2010	470,000	140,220	610,220
2011	485,000	125,528	610,528
2012	500,000	109,517	609,517
2013	515,000	92,384	607,384
2014 - 2018	<u>2,270,000</u>	<u>173,050</u>	<u>2,443,050</u>
Total	<u>4,695,000</u>	<u>794,108</u>	<u>5,489,108</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, 2008, the amount of outstanding bonded indebtedness was equal to 5% of the property assessments as of October 1, 2007. 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 Refunding Bonds, Series 2007	4.0%	10/10/07	3/1/18	\$4,970,000	\$4,940,000

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

Year Ending June 30,	Principal	Intereat	Total
2009	420,000	197,600	617,600
2010	435,000	180,800	615,800
2011	455,000	163,400	618,400
2012	470,000	145,200	615,200
2013	490,000	126,400	616,400
2014 - 2018	<u>2,670,000</u>	<u>320,600</u>	<u>2,990,600</u>
Total	<u>4,940,000</u>	<u>1,134,000</u>	<u>6,074,000</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.

On October 10, 2007, the district issued \$4,970,000 in State Aid Capital Improvement Refunding Bonds, Series 2007 with an average interest rate of 4.0 percent to advance refund \$4,910,000 of outstanding State Aid Capital Improvement Bonds, Series 1998 with an average interest rate of 4.5 percent. The net proceeds of \$4,949,095 after payments of \$ 20,905 for issuance costs were deposited in an irrevocable trust with an escrow agent to provide for all future debt payment requirements on the State Aid Capital Improvement Bonds, Series 1998. As a result, the State Aid Capital Improvement Bonds, Series 1998 are considered to be defeased and the liability for those bonds has been removed from long-term liabilities. The district

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ending June 30, 2008

advance refunded the State Aid Capital Improvement Bonds, Series 1998 to reduce its total debt service payments over the remaining ten years of the debt by approximately \$129,458 and to obtain an economic gain of \$101,664.

C. Shortfall notes payable.

Debt currently outstanding is 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>
Citizens Bank & Savings Company	4.86%	9/11/07	9/30/08	96,905	96,905

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

Year Ending June 30,	Principal	Interest	Total
2009	96,905	5,037	101,942
Total	96,905	5,037	101,942

This debt will be retired from the Shortfall Debt Service Fund

D. 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 Note	0.00%	4/16/93	5/30/11	\$438,175	\$ 52,189

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

Year Ending June 30,	Principal	Interest	Total
2009	17,970		17,970
2010	17,970		17,970
2011	16,249		16,249
Total	52,189	0	52,189

This debt will be retired from the District Maintenance Fund

E. Compensated absences payable.

As more fully explained in Note 1(O), 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.

(6) 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 employer's rate for 2008 was 11.85% 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, 2008, 2007, and 2006 were \$1,712,065, \$1,575,372 and \$1,319,261, respectively, which equaled the required contribution for each year.

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ending June 30, 2008

(7) 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 consists of approximately 95 school districts and one community college 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 jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess up to the statutory amount required by the Mississippi Workers Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

Schedule 1

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 3,655,011	3,843,028	3,744,570	188,017	(98,458)
State sources	15,401,676	16,327,474	16,327,474	925,798	0
Federal Sources	49,580	100,906	100,906	51,326	0
Total Revenues	19,106,267	20,271,408	20,172,950	1,165,141	(98,458)
Expenditures:					
Instruction	12,317,653	11,480,483	11,480,483	837,170	0
Support services	7,665,583	7,114,920	7,169,255	550,663	(54,335)
Noninstructional services	3,500	1,836	1,836	1,664	0
Facilities acquisition & construction	0	58,845	3,334	(58,845)	55,511
Total Expenditures	19,986,736	18,656,084	18,654,908	1,330,652	1,176
Excess (Deficiency) of Revenues Over Expenditures	(880,469)	1,615,324	1,518,042	2,495,793	(97,282)
Other Financing Sources (Uses):					
Proceeds of loans	0	0	96,905	0	96,905
Sale of other property	300	4	4	(296)	0
Operating transfers in	100,138	143,602	122,816	43,464	(20,786)
Operating transfers out	(131,913)	(559,934)	(539,665)	(428,021)	20,269
Total Other Financing Sources (Uses)	(31,475)	(416,328)	(319,940)	(384,853)	96,388
Net Change in Fund Balances	(911,944)	1,198,996	1,198,102	2,110,940	(894)
Fund Balances:					
July 1, 2007	5,117,406	5,117,406	5,119,582	0	2,176
June 30, 2008	4,205,462	6,316,402	6,317,684	2,110,940	1,282

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

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

Schedule 2

Budgetary Comparison Schedule

Title I Fund

For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 8,020	5,164	5,164	(2,856)	0
Federal sources	2,224,407	2,554,722	2,554,722	330,315	0
Total Revenues	2,232,427	2,559,886	2,559,886	327,459	0
Expenditures:					
Instruction	1,313,521	1,468,046	1,468,046	(154,525)	0
Support services	1,354,433	1,030,593	1,030,593	323,840	0
Noninstructional services	35,499	22,565	22,565	12,934	0
Total Expenditures	2,703,453	2,521,204	2,521,204	182,249	0
Excess (Deficiency) of Revenues Over Expenditures	(471,026)	38,682	38,682	509,708	0
Other Financing Sources (Uses):					
Operating transfers out	(43,127)	(38,682)	(38,682)	4,445	0
Total Other Financing Sources (Uses)	(43,127)	(38,682)	(38,682)	4,445	0
Net Change in Fund Balances	(514,153)	0	0	514,153	0
Fund Balances:					
July 1, 2007	0	0	0	0	0
June 30, 2008	(514,153)	0	0	514,153	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, 2008

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 the date established by the Mississippi Department of Education. 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.

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

CLARKSDALE MUNICIPAL SCHOOL DISTRICT
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2008

Schedule 3

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>		
Passed through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	519,234
National School Lunch Program	10.555	1,439,195
Summer Food Service Program for Children	10.559	<u>11,938</u>
Total Nutrition Cluster		<u>1,970,367</u>
Child and adult care food program	10.558	<u>2,474</u>
Total Passed through Mississippi Department of Education		<u>1,972,841</u>
Total U.S. Department of Agriculture		<u>1,972,841</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>100,906</u>
Total Federal Communication Commission		<u>100,906</u>
<u>U.S. Department of Education</u>		
Passed through Mississippi Department of Education		
Special Education Cluster		
Special education grants to state	84.027	885,067
Special education - preschool grants	84.173	<u>26,050</u>
Total Special Education Cluster		<u>911,117</u>
Title 1 grants to local educational agencies	84.010	2,571,477
Career and technical education _ basic grants to states	84.048	68,055
Safe and drug free schools and communities- state grants	84.186	42,346
State grants for innovative programs	84.298	6,201
Education technology state grants	84.318	6,159
Rural education	84.358	41,870
Improving teacher quality - state grants	84.367	<u>426,461</u>
Total Passed through Mississippi Department of Education		<u>4,073,686</u>
Total U.S. Department of Education		<u>4,073,686</u>

U.S. Department of Health and Human Services

Passed-through the Mississippi Department of Education: Medical assistance program	93.778	<u>248,246</u>
Total Passed through Mississippi Department of Education		<u>248,246</u>
Total U.S. Department of Health and Human Services		<u>248,246</u>
Total for All Federal Awards		<u>6,395,679</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
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	\$ 20,384,700	\$ 15,640,876	\$ 844,616	1,686,492	\$ 2,212,716
Other expenditures	7,173,135	2,436,395	777,020	33,258	3,926,462
Total	\$ <u>27,557,835</u>	\$ <u>18,077,271</u>	\$ <u>1,621,636</u>	<u>1,719,750</u>	\$ <u>6,139,178</u>
Total number of students:	3,290 *				
Cost per student:	\$ <u>8,376</u>	\$ <u>5,495</u>	\$ <u>493</u>	<u>523</u>	\$ <u>1,866</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

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

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

CLARKSDALE MUNICIPAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Last Four years

Schedule 5

"UNAUDITED"

	2008	2007*	2006*	2005*
Revenues:				
Local sources	\$ 3,744,570	3,748,844	3,609,387	3,485,824
State sources	16,327,474	15,094,656	14,484,245	13,514,037
Federal sources	100,906	82,702	216,446	257,554
Total Revenues	20,172,950	18,926,202	18,310,078	17,257,415
Expenditures:				
Instruction	11,480,483	10,900,572	10,500,359	10,304,463
Support services	7,169,255	7,295,207	6,646,704	6,057,569
Non instructional services	1,836	244	56,485	9,051
Facilities acquisition & construction	3,334			344,519
Debt service:				
Principal				1,191
Interest				90
Total Expenditures	18,654,908	18,196,023	17,203,548	16,716,883
Excess (Deficiency) of Revenues Over Expenditures	1,518,042	730,179	1,106,530	540,532
Other Financing Sources (Uses):				
Proceeds of loans	96,905	88,281	120,218	99,444
Insurance loss recovery			8,029	22,695
Sale of other property	4	378		
Operating transfers in	122,816	118,547	38,425	86,870
Operating transfers out	(539,665)	(486,256)	(362,874)	(135,220)
Total Other Financing Sources (Uses)	(319,940)	(279,050)	(196,202)	73,789
Net Change in Fund Balances	1,198,102	451,129	910,328	614,321
Fund Balances:				
Beginning of year	5,119,582	4,668,453	3,758,125	3,143,804
Decrease in reserve for inventory	0			
End of year	\$ 6,317,684	5,119,582	4,668,453	3,758,125

* SOURCE - PRIOR YEAR AUDIT REPORTS

CLARKSDALE MUNICIPAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Funds
Last Four years

Schedule 6

"UNAUDITED"

	2008	2007*	2006*	2005*
Revenues:				
Local sources	\$ 4,779,843	4,592,024	4,661,675	4,709,434
State sources	17,768,385	16,509,561	15,865,766	15,350,225
Federal sources	6,417,335	5,884,760	5,907,487	5,372,668
Sixteenth section sources	36,207	25,612	34,174	37,200
Total Revenues	29,001,770	27,011,957	26,469,102	25,469,527
Expenditures:				
Instruction	15,188,077	14,216,260	13,657,535	13,232,561
Support services	9,549,011	9,246,116	8,700,396	7,979,714
Non instructional services	1,861,776	1,581,412	1,860,646	1,791,141
Facilities acquisition & construction	3,334			344,519
Debt service:				
Principal	502,971	886,251	6,204,218	828,605
Interest	452,666	454,608	519,258	625,560
Total Expenditures	27,557,835	26,384,647	30,942,053	24,802,100
Excess (Deficiency) of Revenues Over Expenditures	1,443,935	627,310	(4,472,951)	667,427
Other Financing Sources (Uses):				
Proceeds from General Obligation Bonds			5,275,000	
Proceeds from Limited Obligation Bonds	4,970,000			
Proceeds of loans	96,905	88,281	120,218	99,444
Insurance loss recoveries			8,029	22,695
Sale of other property	4	378		
Operating transfers in	682,750	612,031	501,015	369,168
Operating transfers out	(682,750)	(612,031)	(501,015)	(369,168)
Payment to refunded bond escrow agent	(4,949,095)			
Total Other Financing Sources (Uses)	117,814	88,659	5,403,247	122,139
Net Change in Fund Balances	1,561,749	715,969	930,296	789,566
Fund Balances:				
Beginning of year	7,400,474	6,683,336	5,753,911	4,963,474
Increase (Decrease) in reserve for inventory	13,022	1,169	(871)	871
End of year	\$ 8,975,245	7,400,474	6,683,336	5,753,911

* SOURCE - PRIOR YEAR AUDIT REPORTS

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

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CLARKSDALE MUNICIPAL SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON 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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Robert Britt, CPA, P. A.

P O BOX 1477
947 SUNFLOWER AVENUE
SUITE B

TELEPHONE 662-624-6084
FAX 662-627-3964
CLARKSDALE MISSISSIPPI 38614

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON 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, 2008, which collectively comprise the Clarksdale Municipal School District's basic financial statements and have issued my report thereon dated August 14, 2009. 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 my audit, I considered the school district's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control over financial reporting. Accordingly I do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

My consideration of the internal control over financial reporting was for the limited purpose describe in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

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 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no 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 black ink, appearing to read "Robert J. Smith", is written over a light gray rectangular background.

August 14, 2009

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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Robert Britt, CPA, P. A.

P. O. BOX 1477
947 SUNFLOWER AVENUE
SUITE B

TELEPHONE 662-624-6094
FAX 662-627-3964
CLARKSDALE, MISSISSIPPI 38614

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, 2008. The school district's major federal programs are identified in the summary of auditor's results section of the 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 that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the school district's compliance with those requirements and performing such other procedures as 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 on 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, 2008.

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

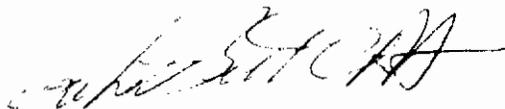
the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the school district' internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

My consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the school board and management, others within the entity, 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 black ink, appearing to be "C. J. [unclear]".

August 14, 2009

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

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

CLARKSDALE MUNICIPAL SCHOOL DISTRICT

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Robert Britt, CPA, P. A.

P. O. BOX 1477
947 SUNFLOWER AVENUE
SULLIE B

TELEPHONE 662-624-6084
FAX 662-627-3984
CLARKSDALE MISSISSIPPI 38614

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

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, 2008, which collectively comprise Clarksdale Municipal School District's basic financial statements and have issued my report thereon dated August 14, 2009. 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)(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, 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 \$ 85,516 of classroom supply funds carried over from previous years.

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

The results of my 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, 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 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.



August 14, 2009

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, 2008

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. Significant deficiency (ies) identified that are not considered to be material weaknesses? | None reported |

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. Significant deficiency (ies) identified that are not considered to be material weaknesses? | None reported |
| 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 results of my tests did not disclose any findings and questioned cost related to the federal awards