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Linton Public School District
Audited Financial Statements
June 30, 2008

Fortenberry & Ballard, PC
Certified Public Accountants

**Clinton Public School District
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FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
Certified Public Accountants

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

Superintendent and School Board
Clinton Public School District

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Clinton Public School District as of and for the year ended June 30, 2008, which collectively comprise the Clinton Public School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Clinton Public School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Clinton Public School District, as of June 30, 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*, we have also issued our report dated April 30, 2009 on our consideration of the Clinton Public School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 our audit.

The Management's Discussion and Analysis on pages 6 through 15 and the Budgetary Comparison Schedules and corresponding notes on pages 42 through 45 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of

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measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Clinton Public School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards 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 our 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, we express no opinion on it.

Fortenberry & Ballard, P.C.

Fortenberry & Ballard, P.C.
April 30, 2009

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CLINTON PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

The discussion and analysis of Clinton Public School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 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.

FINANCIAL HIGHLIGHTS

- Total net assets decreased \$1,723,078, which represents 6.14% decrease from fiscal year 2007.
- General revenues account for \$31,941,145 in revenue, or 86% of all revenues. This amount was more than the general revenues reported for the year 2007, which consisted of \$31,557,870 in revenue, or 87% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5,309,489 or 14% of total revenues compared with \$4,838,247 in 2007.
- The District had \$38,793,712 in expenses, an amount that increased when compared with the \$33,679,771 in expenses for the prior year; \$5,309,489 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$31,941,145 were adequate to provide for these programs.
- Among major funds, the General Fund had \$31,307,032 in revenues and \$28,548,530 in expenditures. The General Fund had net other financing uses of \$1,701,109. In 2007 the General Fund had \$30,068,084 in revenues and \$26,282,615 in expenditures. The General Fund's fund balance increased \$1,057,393 over the prior year.
- The 16th Section Interest Fund had \$182,098 in revenues and \$54,308 in expenditures. The 16th Section Interest Fund's fund balance increased \$127,790 over the prior year.
- Capital assets, net of accumulated depreciation, increased by \$329,387. This increase was composed mostly of net result of the completion of the high school athletic complex and the new elementary school and demolition of the old elementary school.
- Long-term debt decreased by \$1,350,373.

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 17 and 18 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 20 and 22, respectively.

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

The basic governmental fund financial statements can be found on pages 19 and 21 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in a separate Statement of Fiduciary Assets and Liabilities on page 23.

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 25-41 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 additional major special revenue fund. This required supplementary information can be found on pages 43-45 of this report.

Additionally, a schedule of expenditures of federal awards, required by OMB Cir. A-133, a schedule of instructional, administrative, and other expenditures for governmental funds and statements of revenues, expenditures and changes in fund balances for the General Fund and All Governmental Funds - last four years can be found on pages 47, 48, 50 and 51 of this report.

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 \$26,356,983 as of June 30, 2008.

By far the largest portion of the District's net assets \$17,683,561 or 67% reflects its investment in capital assets (e.g., land, buildings, improvements, buildings and other, 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 and 2007.

	2008	2007	Percentage Change
Current assets	\$ 10,160,586	15,046,203	-32%
Other assets	87,414	101,982	-14%
Capital assets, net	38,688,561	38,359,174	1%
Total assets	48,936,561	53,507,359	-9%
Current liabilities	2,760,493	4,196,356	-34%
Long-term debt	19,819,085	21,230,942	-7%
Total liabilities	22,579,578	25,427,298	-11%
Net assets:			
Invested in capital assets, net of related debt	17,683,561	16,014,175	10%
Restricted	1,768,125	3,424,729	-48%
Unrestricted	6,905,297	8,641,157	-20%
Total net assets	\$ 26,356,983	28,080,061	-6%

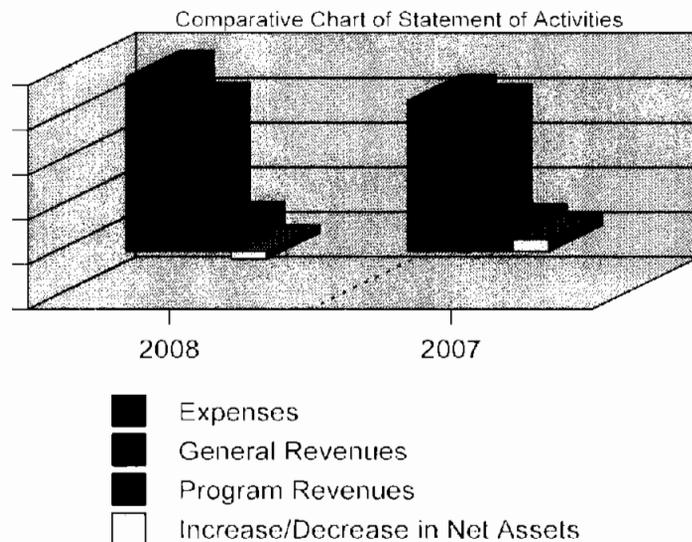
The following are significant current year transactions that have had an impact on the Statement of Net Assets.

- The principal retirement of \$1,340,000 of long-term debt.
- There was an addition of \$1,919,599 in capital assets from current year construction in progress. There was a decrease of \$850,156 in capital assets from current year from the demolition and removal of the old elementary school.
- The long-term deferred charge of \$87,414 is the balance of the capitalization of \$174,827 of bond issuance costs to be amortized over the term of the bonds (12 years). Current year amortization is \$14,568.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2008 were \$37,250,634. The total cost of all programs and services was \$38,973,712.

The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2008 and 2007.

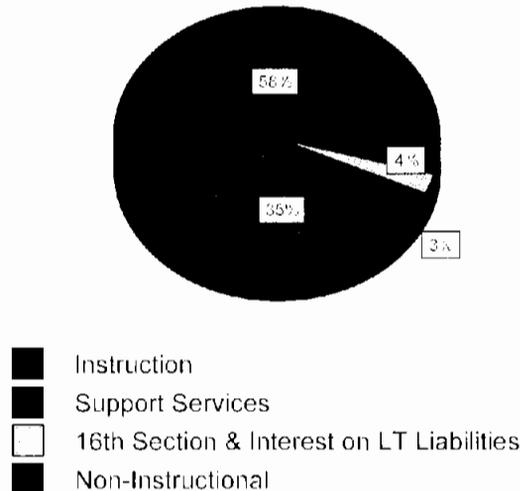
	<u>2008</u>	<u>2007</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 1,328,652	1,287,497	3%
Operating grants and contributions	3,980,837	3,550,750	12%
Total program revenues	<u>5,309,489</u>	<u>4,838,247</u>	10%
Property taxes	10,489,247	10,362,574	1%
Grants and contributions not restricted	20,852,970	19,839,999	5%
Unrestricted investment earnings	187,834	990,119	-81%
Sixteenth section sources	180,374	153,333	18%
Other	<u>230,720</u>	<u>211,845</u>	9%
Total general revenues	<u>31,941,145</u>	<u>31,557,870</u>	1%
Total revenues	<u>37,250,634</u>	<u>36,396,117</u>	2%
Expenses:			
Instruction	22,594,577	19,909,700	13%
Support services	13,697,335	11,272,636	22%
Non-instructional	1,701,433	1,555,100	9%
Sixteenth section sources	54,746	34,160	60%
Interest on long-term debt	<u>925,621</u>	<u>908,175</u>	2%
Total expenses	<u>38,973,712</u>	<u>33,679,771</u>	16%
Increase (decrease) in net assets	(1,723,078)	2,716,346	-163%
Net Assets, July 1	<u>28,080,061</u>	<u>25,363,715</u>	11%
Net Assets, June 30	<u>\$ 26,356,983</u>	<u>28,080,061</u>	-6%



Governmental activities. The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section 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.

	2008 Expenses	2007 Expenses	2008 Net (Expense) Revenue	2007 Net (Expense) Revenue
Instruction	\$ 22,594,577	19,909,700	(19,704,251)	(17,348,282)
Support services	13,697,335	11,272,636	(13,072,970)	(10,760,157)
Non-instructional	1,701,433	1,555,100	93,365	209,250
Sixteenth section	54,746	34,160	(54,746)	(34,160)
Interest on long-term liabilities	925,621	908,175	(925,621)	(908,175)
Total Expenses	\$ 38,973,712	33,679,771	(33,664,223)	(28,841,524)

Chart of Expenses as per Statement of Activities



- The net cost of governmental activities for fiscal year 2008 (\$33,664,223) was financed by general revenue, which is made up of primarily property taxes (\$10,489,247), investment earnings (\$187,834), sixteenth section sources (\$180,374) and state revenues (\$20,685,123).

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 \$9,045,456, a decrease of \$3,399,940 due primarily to construction and capital project expenditures. \$7,352,469 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 \$1,692,987 or 19% is reserved or designated to indicate that it is not available for spending because it has already been committed for specified purposes.

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 \$1,057,393 due primarily to an increase in local and state funding. The fund balance of the 16th Section Interest Fund showed an increase of \$127,790 primarily due to surface leases. The fund balance of the Capital Projects Fund showed a decrease of \$4,509,832 a result of various capital improvements projects. The fund balance of Other Governmental Funds showed a decrease of \$75,291.

BUDGETARY HIGHLIGHTS

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

- Budget amounts for General Fund revenue from local sources was increase for additional ad valorem revenue received.
- Budget amounts for General Fund instructional expenditures were increased to allow additional expenditures in that area.
- Beginning fund balance was adjusted to actual between the original and final budgets.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and 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 \$51,289,483, including land, school buildings and improvements, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$758,129 from the previous year due primarily to additional construction and purchase of vehicles and buses. Total accumulated depreciation as of June 30, 2008 was \$12,600,922 and total depreciation expense for the year was \$1,383,829, resulting in total net capital assets of \$38,688,561.

		<u>2008</u>	<u>2007</u>	<u>Percentage Change</u>
Land	\$	438,742	438,742	0%
Construction in progress		0	19,696,766	-100%
Buildings		27,791,309	16,787,376	66%
Improvements, buildings and other		8,901,877	243,441	3557%
Mobile equipment		1,274,157	1,019,296	25%
Furniture and equipment		282,476	173,553	63%
Total	\$	<u>38,688,561</u>	<u>38,359,174</u>	1%

Additional information of the District's capital assets can be found in Note 5 on page 36 of this report.

Debt Administration. At June 30, 2008, the District had \$21,005,000 in general obligation bonds outstanding and \$229,826 other long-term debt outstanding, of which \$1,415,741 is due within one year.

		<u>2008</u>	<u>2007</u>	<u>Percentage Change</u>
General obligation bonds	\$	21,005,000	22,345,000	-6%
Compensated absences		229,826	240,199	-4%
Total	\$	<u>21,234,826</u>	<u>22,585,199</u>	-6%

The District maintains an A2 rating with Moody's Investments Services.

Additional information of the District's long-term debt can be found in Note 6 on page 37 of this report.

CURRENT ISSUES

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

The District has committed itself to financial excellence for many years. The assessed valuation of the property within the District has increased 21% over the past six years and millage has remained the same for the past five years. In addition, the District 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.

A bond election was held on December 7, 2004 where over 86% of the local taxpayers voted for the issuance of \$17,500,000 of general obligation bonds. The proceeds of these bonds were received in fiscal year ended June 30, 2005 and are assisting in the funding of a new kindergarten and first grade building and a new athletic complex. \$650,000 was transferred from the General Fund to the Debt Service Fund this year to help with future repayment of this debt.

Budgeted local funds along with the millage of current bond issues that expired this year and that will expire in 2014 will be used to repay the 17-year issue. No millage increase for local advalorem taxes occurred or is expected in the near future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Clinton Public School District, P. O. Box 300, Clinton, MS 39060-0300.

FINANCIAL STATEMENTS

CLINTON PUBLIC SCHOOL DISTRICT
Statement of Net Assets
June 30, 2008

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 5,959,641
Investments	3,402,878
Due from other governments	658,601
Other receivables, net	606
Inventories	39,176
Restricted assets	99,684
Long term deferred charge	87,414
Capital assets, non-depreciable:	
Land	438,742
Capital assets, net of accumulated depreciation:	
Buildings	27,791,309
Improvements, buildings and other	8,901,877
Mobile equipment	1,274,157
Furniture and equipment	<u>282,476</u>
 Total Assets	 <u>48,936,561</u>
Liabilities	
Accounts payable and accrued liabilities	1,109,922
Unearned revenue	5,208
Interest payable on long-term liabilities	229,622
Long-term liabilities, due within one year	
Capital related liabilities	1,395,000
Non-capital related liabilities	20,741
Long-term liabilities, due beyond one year	
Capital related liabilities	19,610,000
Non-capital related liabilities	<u>209,085</u>
 Total Liabilities	 <u>22,579,578</u>
Net Assets	
Invested in capital assets, net of related debt	17,683,561
Restricted net assets:	
Expendable:	
School-based activities	1,453,746
Debt service	117,464
Forestry improvements	12,142
Unemployment benefits	85,089
Non-Expendable:	
Sixteenth Section	99,684
Unrestricted	<u>6,905,297</u>
 Total Net Assets	 <u>\$ 26,356,983</u>

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

CLINTON PUBLIC SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2008

Exhibit B

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
Governmental Activities:				
Instruction	\$ 22,594,577	483,713	2,406,613	(19,704,251)
Support services	13,697,335		624,365	(13,072,970)
Non-instructional	1,701,433	844,939	949,859	93,365
Sixteenth section	54,746			(54,746)
Interest on long-term liabilities	925,621			(925,621)
Total Governmental Activities	\$ 38,973,712	1,328,652	3,980,837	(33,664,223)
General Revenues:				
Taxes:				
				9,109,310
				1,379,937
Unrestricted grants and contributions:				
				132,059
				20,685,123
				35,788
				187,834
				180,374
				230,720
				<u>31,941,145</u>
				Change in Net Assets (1,723,078)
				Net Assets - Beginning 28,080,061
				<u>Net Assets - Ending \$ 26,356,983</u>

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

CLINTON PUBLIC SCHOOL DISTRICT
 Balance Sheet - Governmental Funds
 June 30, 2008

Exhibit C

	Major Funds				Total Governmental Funds
	General Fund	16th Section Interest Fund	Capital Projects Fund	Other Governmental Funds	
ASSETS					
Cash and cash equivalents	\$ 5,485,883	53,190	4,049	516,203	6,059,325
Investments	76,566	1,014,787	1,949,295	362,230	3,402,878
Due from other governments	455,848	19,604		183,149	658,601
Due from other funds	119,566				119,566
Inventories				39,176	39,176
Total Assets	\$ 6,137,863	1,087,581	1,953,344	1,100,758	10,279,546
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 199,963		843,534	66,425	1,109,922
Due to other funds				118,960	118,960
Unearned revenue				5,208	5,208
Total Liabilities	199,963	0	843,534	190,593	1,234,090
Fund Balances:					
Reserved for:					
Inventories				39,176	39,176
Permanent funds				99,684	99,684
Debt service				347,086	347,086
Unemployment benefits				85,089	85,089
Forestry improvements				12,142	12,142
Unreserved:					
Designated, reported in:					
Capital projects			1,109,810		1,109,810
Undesignated, reported in:					
General Fund	5,937,900				5,937,900
Special Revenue Funds		1,087,581		325,194	1,412,775
Permanent Funds				1,794	1,794
Total Fund Balances	5,937,900	1,087,581	1,109,810	910,165	9,045,456
Total Liabilities and Fund Balances	\$ 6,137,863	1,087,581	1,953,344	1,100,758	10,279,546

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

CLINTON PUBLIC SCHOOL DISTRICT

Exhibit C-1

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets

June 30, 2008

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 9,045,456
Amounts reported for governmental activities in the statement of net assets are different because:	
1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds:	
Capital assets net of accumulated depreciation as of 07-01-07	38,359,174
Plus capital outlay expenditures made during the year	2,563,372
Less depreciation expense recorded during the year	(1,383,829)
Less net book value of capital assets sold during the year	(850,156)
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Long-term liabilities	(21,234,826)
Bond issue costs reported as a deferred charge	87,414
Accrued interest on bonds	(229,622)
	<hr/>
Total Net Assets - Governmental Activities	\$ <u>26,356,983</u>

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

CLINTON PUBLIC SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

Exhibit D

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	16th Section Interest Fund	Capital Projects Fund		
Revenues:					
Local sources	\$ 10,223,505		(11,897)	2,155,013	12,366,621
State sources	21,047,739			786,964	21,834,703
Federal sources	35,788			2,831,256	2,867,044
Sixteenth section sources		182,098		168	182,266
Total Revenues	31,307,032	182,098	(11,897)	5,773,401	37,250,634
Expenditures:					
Instruction	18,089,848			2,580,657	20,670,505
Support services	10,382,463		2,161,910	1,464,823	14,009,196
Noninstructional services	14,342			1,714,895	1,729,237
Sixteenth section		54,308		438	54,746
Facilities acquisition and construction				1,919,599	1,919,599
Debt service:					
Principal				1,340,000	1,340,000
Interest				858,995	858,995
Other	61,877			1,850	63,727
Total Expenditures	28,548,530	54,308	2,161,910	9,881,257	40,646,005
Excess (Deficiency) of Revenues over Expenditures	2,758,502	127,790	(2,173,807)	(4,107,856)	(3,395,371)
Other Financing Sources (Uses):					
Sale of transportation equipment	834				834
Sale of other property	1,005				1,005
Operating transfers in	32,570			4,133,653	4,166,223
Operating transfers out	(1,735,518)		(2,336,025)	(94,680)	(4,166,223)
Total Other Financing Sources (Uses)	(1,701,109)	0	(2,336,025)	4,038,973	1,839
Net Change in Fund Balances	1,057,393	127,790	(4,509,832)	(68,883)	(3,393,532)
Fund Balances:					
July 1, 2007	4,880,507	959,791	5,619,642	985,456	12,445,396
Increase (Decrease) in reserve for inventory				(6,408)	(6,408)
June 30, 2008	\$ 5,937,900	1,087,581	1,109,810	910,165	9,045,456

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

CLINTON PUBLIC SCHOOL DISTRICT
 Reconciliation of the Governmental Funds Statement of Revenues,
 Expenditures and Changes in Fund Balances to the Statement of Activities
 For the Year Ended June 30, 2008

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ (3,393,532)
Amounts reported for governmental activities in the Statement of Activities are different because:	
1. Capital outlays are reported as expenditures in governmental funds but are not reported as expenses in the statement of activities. Instead, cost associated with capital assets are capitalized in the statement of net assets.	2,563,372
2. Depreciation is not an expenditure in governmental funds but is an expense of allocating the cost of capital assets over their estimated useful lives in the statement of activities.	(1,383,829)
3. In the statement of activities, only gains and losses from the sale of capital assets are reported, whereas in governmental funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
Losses from sale of capital assets	(2,466)
Losses on disposal of capital assets	(847,690)
4. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	1,340,000
5. Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the statement of activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
Compensated absences	10,373
Accrued interest on bonds	11,670
Capitalized bond issuance costs	(14,568)
6. Change in inventory is an adjustment to fund balance in the governmental funds, but an expense in the statement of activities	(6,408)
Change in Net Assets of Governmental Activities	<u>\$ (1,723,078)</u>

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

CLINTON PUBLIC SCHOOL DISTRICT
Statement of Fiduciary Assets and Liabilities
June 30, 2008

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 1,500,703
Total Assets	<u>\$ 1,500,703</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 1,393,256
Due to other funds	606
Due to student clubs	106,841
Total Liabilities	<u>\$ 1,500,703</u>

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

Notes to the Financial Statements

For the year ended
June 30, 2008

Clinton Public School District

Notes to the Financial Statements
For the Year Ended 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 of, but not a component unit of, the city of Clinton since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

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

B. Basis of Presentation.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

1. Invested in capital assets, net of related debt consists of capital assets net of

Clinton Public School District

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

accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

2. *Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. *Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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

Fund Financial Statements:

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

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, including instructional, support and other costs are paid from the fund.

16th Section Interest Fund - This fund accounts for investment activity financed through Sixteenth Section property rental activity less expenditures for maintenance and improvements to said property.

Capital Projects Fund - This capital projects fund is financed with local funds and is used to account for repairs, renovations and capital improvements to school buildings and facilities in accordance with the district's long range capital project plan.

Clinton Public School District

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

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

The school district also reports fiduciary funds which focus on net assets and changes in net assets.

The District's fiduciary funds include the Agency Funds, which do not measure result of operations but rather report resources held by the district in a custodial capacity.

GOVERNMENTAL FUND TYPES

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 Project Funds - Capital Projects Funds are used to account for financial resources to be used for the repairs, renovations, 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.

Permanent Funds - Permanent Funds are used to account for assets held by the governmental unit where only the earnings the assets generate may be used by the governmental unit.

FIDUCIARY FUNDS

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

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 recorded when earned and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Clinton Public School District

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

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

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

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

Ad valorem property taxes are levied by the governing 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.

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

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

Clinton Public School District

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

Revenues from the Mississippi Adequate Education Program Revenues are appropriated on a fiscal year basis and are recorded at the time the revenues are received from the State of Mississippi.

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 the *Financial Accounting for Local and State School Systems, 2003* issued by the U.S. Department of Education.

E. Encumbrances.

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

F. Assets, liabilities, and net assets or equity.

1. Cash, Cash equivalents and Investments

Cash and cash equivalents.

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

Investments.

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

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

Investments for the district are reported at fair market value.

Clinton Public School District

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

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

Donated commodities are received from the USDA and are valued at USDA cost. Other inventories are valued at cost (calculated on the first-in, first-out basis). The 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 costs of such items are accounted for as expenditures in the period of acquisition.

5. Restricted Assets

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

6. Capital Assets

Capital assets, which include property, plant, furniture and equipment, are reported in the governmental activities column in the government-wide

Clinton Public School District

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

Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend assets lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the following table and estimated useful lives in excess of two years.

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

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

	Capitalization Policy	Estimated Useful Life
Land	\$ 0	0
Buildings	50,000	40 years
Improvements, buildings and other	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 amounts will correspond with the amounts for the asset classifications, as listed. See Note 5 for details.

7. Compensated Absences

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

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

Clinton Public School District

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

matured, for example, an employee retires.

8. Long-term Liabilities, Deferred Debt Expenses, and Bond Discounts/
Premiums

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

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

9. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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

Fund reserves are portions of fund equity that are legally segregated for a 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 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 permanent fund purposes - An account that represents a portion of the fund balance that is legally restricted for investment purposes or borrowing by the school board for capital purposes.

Clinton Public School District

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

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

Reserved for forestry improvement purposes - An account that represents a portion of the fund balance that is legally restricted for improving sixteenth section forest lands.

Unreserved, designated for, reported in capital projects - An account that represents that portion of the unreserved fund balance that the school board has specifically obligated for future repairs, renovations, and construction projects of district buildings and facilities.

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

(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. Restriction on deposits and investments are imposed by statutes as follows:

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school districts' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

Investments. Section 29-3-113 and 37-59-43 Miss. Code Ann. (1972), authorizes the school board to invest 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

Clinton Public School District

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

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 \$6,059,325 and \$1,500,703 respectively. The carrying amount of deposits reported in the government-wide financial statements was: cash and cash equivalents of \$5,959,641 and \$99,684 presented as restricted assets. This amount represents the cash balance of the Sixteenth Section Principal fund. The bank balance was \$9,252,189.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of a financial institutions failure, 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 \$9,252,189 was exposed to custodial credit risk.

Investments.

As of June 30, 2008, the district had the following investments in the investment pool.

Investment Type	Maturities (in years)	Fair Value
External Investment Pool		
Mississippi Education Investment Pool Trust A and B	various	\$ 3,402,878
Total Investments		<u>\$ 3,402,878</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.

Clinton Public School District

Notes to the Financial Statements
For the Year Ended 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 investments choices or one that addresses credit risk.

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. Of the district's investments \$3,402,878 of underlying securities are held by the investment's counterparty, not in the name of the district.

Concentration of Credit Risk. Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2008, the district had the following investments:

<u>Issuer</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
MS Ed Pool	\$ 3,402,878	100%

Local sources revenue for the Capital Projects Fund presented in the Statement of Revenues, Expenditures and Changes in Fund Balances (Exhibit D) of the financial statements totals (\$11,897). This consists of interest income of \$8,652 and a decrease in the fair value of investments of \$20,549.

(3) **Interfund Receivables, Payables and Transfers.**

The following is a summary of interfund transactions and balances:

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 118,960
General Fund	Agency Fund	606
Total		\$ <u>119,566</u>

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

B. **Interfund Transfers.**

Clinton Public School District

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

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 1,735,518
Capital Project Fund	Other Governmental Funds	2,336,025
Other Governmental Funds	General Fund	32,570
Other Governmental Funds	Other Governmental Funds	<u>62,110</u>
Total		<u>\$ 4,166,223</u>

The purpose of the interfund transfers within the General Fund are to finance basic operations of the district that are not directly funded (i.e. state funded special education and vocational program). The transfer out of the capital project fund into the Other Governmental funds was made to finance construction projects. The Non-major funds transfer in was from the General Fund to finance the vocational program and a portion of the debt service for the GO Bonds, 2005 series. The transfers out in the Non-major funds are primarily the transfer of indirect cost on federal programs to the General Fund.

(4) Restricted Assets.

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

(5) Capital Assets.

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

	<u>Balance 7-1-2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Completed Construction</u>	<u>Adjustments</u>	<u>Balance 6-30-2008</u>
<u>Non-depreciable capital assets:</u>						
Land	\$ 438,742					438,742
Construction in progress	19,696,766	1,919,599		(21,616,365)		0
Total non-depreciable capital assets	<u>20,135,508</u>	<u>1,919,599</u>	<u>0</u>	<u>(21,616,365)</u>	<u>0</u>	<u>438,742</u>
<u>Depreciable capital assets:</u>						
Buildings	26,525,034		1,732,245	12,586,294		37,379,083
Improvements, buildings and other	260,797			9,030,071		9,290,868
Mobile equipment	2,749,544	452,492	24,000			3,178,036
Furniture and equipment	860,471	191,281	48,998			1,002,754
Total depreciable capital assets	<u>30,395,846</u>	<u>643,773</u>	<u>1,805,243</u>	<u>21,616,365</u>	<u>0</u>	<u>50,850,741</u>
<u>Less accumulated depreciation for:</u>						
Buildings	9,737,658	735,095	884,979			9,587,774
Improvements, buildings and other	17,356	371,635				388,991
Mobile equipment	1,730,248	195,231	21,600			1,903,879

Clinton Public School District

**Notes to the Financial Statements
For the Year Ended June 30, 2008**

	Balance 7-1-2007	Additions	Retirements	Completed Construction	Adjustments	Balance 6-30-2008
Furniture and equipment	686,918	81,868	48,508			720,278
Total accumulated depreciation	12,172,180	1,383,829	955,087	0	0	12,600,922
Total depreciable capital assets, net	18,223,666	(740,056)	850,156	21,616,365	0	38,249,819
Governmental activities capital assets, net	\$ 38,359,174	1,179,543	850,156	0	0	38,688,561

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$1,103,873
Support services	246,224
Non-instructional	<u>33,732</u>
Total depreciation expense	<u>\$1,383,829</u>

(6) Long-term Liabilities.

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

	Balance 7-1-2007	Additions	Reductions	Balance 6-30-2008	Amounts due within one year
A. General obligation bonds payable	\$ 22,345,000		1,340,000	21,005,000	1,395,000
B. Compensated absences payable	240,199		10,373	229,826	20,741
Total	\$ 22,585,199	0	1,350,373	21,234,826	1,415,741

A. General Obligation Bonds Payable.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation bonds, Refunding Series 2005	3.25-4.0%	03/15/05	03/15/22	\$ 17,500,000	16,200,000
General obligation bonds, Refunding Series 2002	1.9-4.35%	07/01/02	04/01/14	9,570,000	4,805,000
Total				\$ 27,070,000	21,005,000

Clinton Public School District

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

Details of the district's June 30, 2008 general obligation bonded indebtedness are as follows:

1. Bond issue - Series 2005

Year Ending June 30	Principal	Interest	Total
2009	\$ 500,000	617,625	1,117,625
2010	525,000	601,375	1,126,375
2011	700,000	584,313	1,284,313
2012	725,000	561,563	1,286,563
2013	750,000	538,000	1,288,000
2014 - 2018	6,750,000	2,123,625	8,873,625
2019 - 2022	<u>6,250,000</u>	<u>579,000</u>	<u>6,829,000</u>
Total	<u>\$ 16,200,000</u>	<u>5,605,501</u>	<u>21,805,501</u>

2. Bond issue - Series 2002.

Year Ending June 30	Principal	Interest	Total
2009	\$ 895,000	194,793	1,089,793
2010	895,000	161,230	1,056,230
2011	885,000	125,876	1,010,876
2012	875,000	90,035	965,035
2013	870,000	53,723	923,723
2014	<u>385,000</u>	<u>16,747</u>	<u>401,747</u>
Total	<u>\$ 4,805,000</u>	<u>642,404</u>	<u>5,447,404</u>

Total general obligation bond payments for all issues:

Year Ending June 30	Principal	Interest	Total
2009	\$ 1,395,000	812,418	2,207,418

Clinton Public School District

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

2010	1,420,000	762,605	2,182,605
2011	1,585,000	710,189	2,295,189
2012	1,600,000	651,598	2,251,598
2013	1,620,000	591,723	2,211,723
2014 - 2018	7,135,000	2,140,372	9,275,372
2019 - 2022	<u>6,250,000</u>	<u>579,000</u>	<u>6,829,000</u>
Total	\$ <u>21,005,000</u>	<u>6,247,905</u>	<u>27,252,905</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7 Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2008 the amount of outstanding bonded indebtedness was equal to 9.38% of property assessments as of October 31, 2007. This debt will be retired from the Debt Service Funds (Debt Service - 2005 Bond Fund) which will be financed by local millage and a transfer from the General Fund (District Maintenance Fund).

B. Compensated Absences.

As more fully explained in Note 1 (F) (7), 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.

(7) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The rate for fiscal year ended June 30, 2008 was 11.85% of the 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

Clinton Public School District

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

\$2,456,268, \$2,090,699, and \$1,820,383, respectively, which equaled the required contributions for each year.

(8) Other Commitments.

Operating Leases:

The school district has several operating leases for the following:

- | | |
|--------------------------------|-----------------------------|
| 1. Pitney Postage Machines (2) | Central Office |
| 2. Canon Copiers (19) | All Schools |
| 3. Imagistics 6530 Copier | Summer Hill Jr. High School |
| 4. Pitney Postage Machine | Special Services |

Lease expenditures for the year ended June 30, 2008, amounted to \$55,958. Future lease payments for these leases are as follows:.

Year Ending June 30	Amount
2009	\$ 50,304
2010	50,304
2011	50,304
2012	25,653
2013	1,200
Total	<u>\$ 177,765</u>

(9) Sixteenth Section Lands.

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

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

Year Ending June 30	Amount
2009	\$ 127,040
2010	115,603

Clinton Public School District

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

2011	104,245
2012	96,024
2013	63,483
2014 - 2018	308,413
2019 - 2023	302,925
2024 - 2028	288,598
2029 - 2033	128,766
2034 - 2038	21,319
Total	<u>\$ 1,556,416</u>

(10) Risk Management.

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

(11) Long-Term Deferred Charges.

Upon the issuance of General Obligation Refunding Bonds, Series 2002, the district incurred bond issue costs of \$174,827. In the governmental funds financial statements this amount was reported as an expenditure for the period in which the expenditure was incurred. However, this transaction is reported as a long-term deferred charge on the Statement of Net Assets and will be amortized over the life of the bonds using the straight line method at an annual cost of \$14,568. The unamortized balance was \$87,414 at fiscal year end.

(12) Subsequent Event.

A Three-mill Limited Tax Note, Series 2008, in the principal amount of \$2,935,000 was issued December 1, 2008 with note interest to be paid semi-annually and principal to be paid annually on December 1 subsequent to the issuance date. The note will carry a net interest rate of 3.63% throughout the life of the note until maturity on December 1, 2018. A special ad valorem tax not to exceed three mills will be levied by the City of Clinton on taxable property within the District to provide funds to pay debt service on this note.

REQUIRED SUPPLEMENTARY INFORMATION

CLINTON PUBLIC SCHOOL DISTRICT

Exhibit I

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	\$ 9,861,996	10,182,735	10,223,505	320,739	40,770
State sources	21,317,442	21,117,438	21,047,739	(200,004)	(69,699)
Federal sources	45,000	45,000	35,788	0	(9,212)
Total Revenues	31,224,438	31,345,173	31,307,032	120,735	(38,141)
Expenditures:					
Instruction	18,633,404	18,889,048	18,089,848	(255,644)	799,200
Support services	11,839,600	10,865,173	10,382,463	974,427	482,710
Noninstructional services	46,198	19,175	14,342	27,023	4,833
Debt Service					
Other			61,877	0	(61,877)
Total Expenditures	30,519,202	29,773,396	28,548,530	745,806	1,224,866
Excess (Deficiency) of Revenues Over Expenditures	705,236	1,571,777	2,758,502	866,541	1,186,725
Other Financing Sources (Uses):					
Insurance Loss Recoveries		700		700	(700)
Sale of Transportation Equipment			834	0	834
Sale of Other Property			1,005	0	1,005
Transfers In	19,306	40,180	32,570	20,874	(7,610)
Transfers Out	(727,607)	(1,743,830)	(1,735,518)	(1,016,223)	8,312
Total Other Financing Sources (Uses)	(708,301)	(1,702,950)	(1,701,109)	(994,649)	1,841
Net Change in Fund Balances	(3,065)	(131,173)	1,057,393	(128,108)	1,188,566
Fund Balances:					
July 1, 2007	3,446,063	4,880,507	4,880,507	1,434,444	0
June 30, 2008	\$ 3,442,998	4,749,334	5,937,900	1,306,336	1,188,566

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

CLINTON PUBLIC SCHOOL DISTRICT

Exhibit 2

Budgetary Comparison Schedule
 16th Section Interest 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:					
Sixteenth section sources	\$ 162,000	182,022	182,098	20,022	76
Total Revenues	162,000	182,022	182,098	20,022	76
Expenditures:					
Sixteenth section	23,800	55,167	54,308	(31,367)	859
Total Expenditures	23,800	55,167	54,308	(31,367)	859
Excess (Deficiency) of Revenues Over Expenditures	138,200	126,855	127,790	(11,345)	935
Net Change in Fund Balances	138,200	126,855	127,790	(11,345)	935
Fund Balances:					
July 1, 2007	935,000	959,791	959,791	24,791	0
June 30, 2008	\$ 1,073,200	1,086,646	1,087,581	13,446	935

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

Clinton Public School District

Notes to the Required Supplementary Information
For the Year Ended June 30, 2008

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

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

SUPPLEMENTAL INFORMATION

Clinton Public School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2008

Schedule 1

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	<u>Federal Expenditures</u>
U. S. DEPARTMENT OF AGRICULTURE/		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	113,707
National School Lunch Program	10.555	809,449
Total child nutrition cluster		<u>923,156</u>
Total passed-through the MDE		<u>923,156</u>
TOTAL U. S. DEPARTMENT OF AGRICULTURE		<u>923,156</u>
FEDERAL COMMUNICATION COMMISSION		
Administered through Universal Service Administrative Company:		
The school and libraries program of the Universal Service Fund	32.xxx	35,788
TOTAL FEDERAL COMMUNICATION COMMISSION		<u>35,788</u>
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	696,869
Career and Technical Education - Basic Grants to States	84.048	40,304
Safe and Drug Free Schools and Communities - State Grants	84.186	15,054
State Grants for Innovative Programs	84.298	856
Education Technology State Grants	84.318	6,832
English Language Acquisition Grants	84.365	7,201
Improving Teacher Quality State Grants	84.367	303,050
Grants for State Assessments and Related Activities	84.369	3,024
Total		<u>1,073,190</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	889,316
Special Education - Preschool Grants	84.173	26,155
Total special education cluster		<u>915,471</u>
Total passed-through the MDE		<u>1,988,661</u>
TOTAL U. S. DEPARTMENT OF EDUCATION		<u>1,988,661</u>
TOTAL FOR ALL FEDERAL AWARDS		<u><u>\$2,947,605</u></u>

Notes to Schedule

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

Clinton Public School District

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2008

Schedule 2

Expenditures	Total	Instruction and Other Student Expenditures			Other
		Instructional	General Administration	School Administration	
Salaries and fringe benefits	\$ 26,659,091	20,406,075	896,939	1,980,846	3,375,231
Other	13,986,914	2,574,239	246,183	77,622	11,088,870
Total	\$ 40,646,005	22,980,314	1,143,122	2,058,468	14,464,101

Total number of students * 4,681

Cost per student \$ 8,683

3,090

Notes to the schedule:

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

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

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

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

* Total number of students - the ADA report submission for month 9, which is the final submission for the school.

OTHER SUPPLEMENTAL INFORMATION

CLINTON PUBLIC SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Last Four Years

"UNAUDITED"

	2008	2007*	2006*	2005*
Revenues:				
Local sources	\$ 10,223,505	10,112,400	9,591,943	9,693,438
State sources	21,047,739	19,911,201	18,709,313	17,646,235
Federal sources	35,788	44,483	55,695	31,355
Total Revenues	<u>31,307,032</u>	<u>30,068,084</u>	<u>28,356,951</u>	<u>27,371,028</u>
Expenditures:				
Instruction	18,089,848	17,125,918	16,685,351	15,892,749
Support services	10,382,463	9,134,621	8,764,574	8,369,495
Noninstructional services	14,342	22,076	82,252	63,513
Debt service:				
Other	61,877			
Total Expenditures	<u>28,548,530</u>	<u>26,282,615</u>	<u>25,532,177</u>	<u>24,325,757</u>
Excess (Deficiency) of Revenues over Expenditures	<u>2,758,502</u>	<u>3,785,469</u>	<u>2,824,774</u>	<u>3,045,271</u>
Other Financing Sources (Uses):				
Insurance loss recoveries		10,270		
Sale of transportation equipment	834	2,901	479	481
Sale of other property	1,005		1,000	
Operating transfers in	32,570	20,260	2,928,437	2,503,327
Operating transfers out	(1,735,518)	(2,249,462)	(5,461,905)	(4,400,895)
Total Other Financing Sources (Uses)	<u>(1,701,109)</u>	<u>(2,216,031)</u>	<u>(2,531,989)</u>	<u>(1,897,087)</u>
Net Change in Fund Balances	<u>1,057,393</u>	<u>1,569,438</u>	<u>292,785</u>	<u>1,148,184</u>
Fund Balances:				
July 1,	4,880,507	3,311,069	3,018,284	1,877,368
Prior period adjustments				(7,268)
July 1, as restated	<u>4,880,507</u>	<u>3,311,069</u>	<u>3,018,284</u>	<u>1,870,100</u>
June 30,	<u>\$ 5,937,900</u>	<u>4,880,507</u>	<u>3,311,069</u>	<u>3,018,284</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

CLINTON PUBLIC SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Funds
Last Four Years

"UNAUDITED"

	<u>2008</u>	<u>2007*</u>	<u>2006*</u>	<u>2005*</u>
Revenues:				
Local sources	\$ 12,366,621	12,987,324	11,874,921	11,507,992
State sources	21,834,703	20,656,607	19,431,308	18,329,738
Federal sources	2,867,044	2,548,910	2,957,454	2,244,216
Sixteenth section sources	182,266	203,278	367,589	148,106
Total Revenues	<u>37,250,634</u>	<u>36,396,119</u>	<u>34,631,272</u>	<u>32,230,052</u>
Expenditures:				
Instruction	20,670,505	19,539,733	19,428,103	17,977,838
Support services	14,009,196	11,242,511	9,703,167	9,144,176
Noninstructional services	1,729,237	1,554,880	1,544,596	1,408,475
Sixteenth section	54,746	34,161	27,040	43,897
Facilities acquisition and construction	1,919,599	13,931,586	5,637,497	127,682
Debt service:				
Principal	1,340,000	1,320,000	1,125,000	755,000
Interest	858,995	903,505	938,618	296,688
Other	63,727	1,850	1,850	54,900
Total Expenditures	<u>40,646,005</u>	<u>48,528,226</u>	<u>38,405,871</u>	<u>29,808,656</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(3,395,371)</u>	<u>(12,132,107)</u>	<u>(3,774,599)</u>	<u>2,421,396</u>
Other Financing Sources (Uses):				
Proceeds of refunding bonds				17,500,000
Insurance loss recoveries		10,270		
Sale of transportation equipment	834	2,901	479	481
Sale of other property	1,005		1,000	
Operating transfers in	4,166,223	2,454,287	5,544,783	4,437,658
Operating transfers out	(4,166,223)	(2,454,287)	(5,544,783)	(4,437,658)
Total Other Financing Sources (Uses)	<u>1,839</u>	<u>13,171</u>	<u>1,479</u>	<u>17,500,481</u>
Net Change in Fund Balances	<u>(3,393,532)</u>	<u>(12,118,936)</u>	<u>(3,773,120)</u>	<u>19,921,877</u>
Fund Balances:				
July 1,	12,445,396	24,540,482	28,317,070	8,403,430
Prior period adjustments				(7,268)
July 1, as restated	<u>12,445,396</u>	<u>24,540,482</u>	<u>28,317,070</u>	<u>8,396,162</u>
Increase (Decrease) in reserve for inventory	<u>(6,408)</u>	<u>23,850</u>	<u>(3,468)</u>	<u>(970)</u>
June 30,	<u>\$ 9,045,456</u>	<u>12,445,396</u>	<u>24,540,482</u>	<u>28,317,069</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

INTERNAL CONTROL AND COMPLIANCE REPORTS

FORTENBERRY & BALLARD, PC
Certified Public Accountants

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

Superintendent and School Board
Clinton Public School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Clinton Public School District as of and for the year ended June 30, 2008, which collectively comprise the Clinton Public School District's basic financial statements and have issued our report thereon dated April 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the school district's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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, process, record, 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 school district's financial statements that is more than inconsequential will not be prevented or detected by the school district's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as finding 2008-1 to be a significant deficiency in internal control over financial reporting.

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 school district's internal control.

Our consideration of the internal control over financial reporting 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 and, accordingly, would not necessarily

AICPA & MSCPA

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disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Clinton's Public School District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Clinton Public School District's response and, accordingly, we express no opinion on it.

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.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
April 30, 2009

Certified Public Accountants

FORTENBERRY & BALLARD, PC
Certified Public Accountants

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

Superintendent and School Board
Clinton Public School District

Compliance

We have audited the compliance of the Clinton Public 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 the auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contract and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

We conducted our audit of compliance 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, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the school district's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the school district's compliance with those requirements.

In our opinion, the Clinton Public 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 Clinton Public 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 our audit, we considered the school district's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we

do not express an opinion on the effectiveness of the school district's internal control over compliance.

A 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 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.

Our 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. We did not identify any deficiencies in internal control over compliance that we 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.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
April 30, 2009

Certified Public Accountants

FORTENBERRY & BALLARD, PC
Certified Public Accountants

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

Superintendent and School Board
Clinton Public School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Clinton Public School District as of and for the year ended June 30, 2008, and have issued our report thereon dated April 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$18,835 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 our procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

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

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

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
April 30, 2009

Certified Public Accountants

FINDINGS, CORRECTIVE ACTION PLAN AND AUDIT FOLLOW-UP

Clinton Public 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 financial statements: Unqualified.
2. Material noncompliance relating to the 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? Yes.

Federal Awards:

4. Type of auditor's report issued on compliance for major federal 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? No.
6. Any audit findings reported as required by Section __.510(a) of OMB Circular A-133? No.
7. Federal programs identified as major programs:
 - a. Child Nutrition Cluster:
CFDA # 10.553
CFDA # 10.555
 - b. 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 findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? No.

Section 2: Findings Relating to the Financial Statements

The results of our tests disclosed the following significant deficiencies related to the financial statements that are required to be reported by *Government Auditing Standards*.

Significant Deficiency

Finding 2008-1:

Sound internal control dictates that the individual responsible for recording transactions should not be the same individual responsible for reviewing and/or reconciling the related accounts. While our observation of the bank account reconciliations and journal entry transaction postings revealed that these processes are being performed in a timely and accurate manner, the Finance Director is responsible for both recording transactions through the journal entry process and reconciling the bank statements. Control account reconciliation review should be performed by someone other than the person performing the recording function. When one individual performs both the recording and reconciling functions, proper independent oversight of these tasks is not being achieved.

Recommendation:

Duties should be separated so that the Finance Director is not the only person involved in the bank account reconciliation process and the journal entry recording processes. Someone other than the Finance Director should be responsible for the initial preparation of the bank reconciliations and the recording of journal entries. Alternatively, if these processes continue to be performed by the Finance Director, someone in a higher managerial or administrative role should review and approve these processes in order to achieve a proper level of oversight.

School District's Response:

Journal entries will be entered by another employee so that the finance director will not be responsible for any recording functions. Furthermore, monthly bank reconciliations of the district accounts will be subsequently reviewed by the superintendent or his designee.

Section 3: Findings and Questioned Costs for Federal Awards

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

Clinton Public School District
P.O. Box 300
Clinton, MS 39060
Dr. Phillip Burchfield - Superintendent
Sandy Halliwell - Business Manager

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section __.315(b) of OMB Circular A-133, the Clinton Public School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the Year ended June 30, 2008:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2008-1	<p>a. Name of Contact Person Responsible for Corrective Action:</p> <p>name: Sandy Halliwell title: Finance Director phone number: 601-924-7533</p> <p>b. Corrective Action Planned:</p> <p>The district will take action to segregate recording, reconciliation, and approval duties to allow for adequate oversight.</p> <p>c. Anticipated Completion Date:</p> <p>May 2009</p>

