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**CLAIBORNE COUNTY SCHOOL DISTRICT**

**AUDITED FINANCIAL STATEMENTS**

**JUNE 30, 2005**

CLAIBORNE COUNTY SCHOOL DISTRICT  
 June 30, 2005  
 TABLE OF CONTENTS

	EXHIBIT	PAGE(S)
Independent Auditor's Report on the Basic Financial Statement and Supplemental Information		1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS		3 - 10
FINANCIAL STATEMENTS		
Statement of Net Assets	A	11
Statement of Activities	B	12
Balance Sheet - Governmental Funds	C	13
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	C-1	14
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	D	15
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to Statement of Activities	D-1	16
Statement of Fiduciary Net Assets	E	17
Notes to Financial Statements		18 - 32
REQUIRED SUPPLEMENTAL INFORMATION		
Budgetary Comparison Schedule		34 - 35
Notes to the Required Supplementary Information		36
SUPPLEMENTAL INFORMATION		
Schedule of Expenditures of Federal Awards		38 - 39
Notes to the Schedule of Expenditure of Federal Awards		40
Schedule of Instructional, Administrative and Other Expenditures Governmental Funds		41
REPORTS ON COMPLIANCE AND INTERNAL CONTROL		
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards		43 - 44
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133		45

CLAIBORNE COUNTY SCHOOL DISTRICT  
June 30, 2005  
TABLE OF CONTENTS

	EXHIBIT	PAGE(S)
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS		
Independent Auditor's Report on Compliance with State Laws and Regulations		47
SCHEDULE OF FINDING AND QUESTIONED COSTS		48 - 50
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS		51

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

Superintendent and School Board  
Claiborne County School District

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Claiborne County School District as of and for the year ended June 30, 2005, which collectively comprise the Claiborne County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Claiborne County 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 Claiborne County School District, as of June 30, 2005, 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 February 9, 2006, on our consideration of Claiborne County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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 4 through 10 and the Budgetary Comparison Schedule and corresponding notes on pages 34 and 36 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 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 Claiborne County 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. 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.

*Banks, Fairly, White & Co.*

February 9, 2006

CLAIBORNE COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CLAIBORNE COUNTY SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2005**

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

This discussion and analysis is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* issued June 1999. Certain comparative information between the current year and the prior year is required to be presented.

#### Financial Highlights

Total net assets decreased \$39,843, which represents an 0.49% decrease from fiscal year 2004.

General revenues account for \$11,520,003 in revenue, or 78% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,266,967 or 22% of total revenues.

The District had \$14,825,551 in expenses; only \$3,266,967 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$11,520,003 were adequate to provide for these programs.

Among major funds, the General Fund had \$10,463,246 in revenues and \$11,224,003 in expenditures, \$2,978,056 in other financing sources and \$1,345,010 in other uses. The General Fund's fund balance increased \$872,289 from the prior year. The increase was due primarily to an increase in operating transfers-in from other funds.

Capital assets, net of accumulated depreciation, increased by \$228,267 from the prior year. This increase was due mainly to the acquisition of vehicles under capital lease.

Long-term debt increased by \$162,062 from the prior year.

#### Overview of Financial Statements

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

**CLAIBORNE COUNTY SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2005**

**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 in Exhibit A 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 in Exhibit C-1 and D-1, respectively.

**CLAIBORNE COUNTY SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2005**

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts* issued by the Mississippi Office of the State Auditor. 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 in Exhibit C and D 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 Net Assets in Exhibit E.

**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 within this report.

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

The District adopts an annual operating budget for all governmental funds. A Budgetary Comparison Statement has been provided for the General Fund. This required supplementary information can be found within this report.

A Schedule of Expenditures of Federal Awards is required by OMB Circular A-133 and can be found within 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 \$8,107,782 as of June 30, 2005.

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.

**CLAIBORNE COUNTY SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2005**

The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2005 and a comparison of the same information as presented at June 30, 2004.

	<u>FISCAL YEAR 2005</u>	<u>FISCAL YEAR 2004</u>	<u>DIFFERENCE</u>
Current assets	\$ 5,667,167	5,960,535	\$ (293,368)
Capital assets, net	<u>8,652,428</u>	<u>8,424,161</u>	<u>228,267</u>
Total assets	<u>\$ 14,319,595</u>	<u>14,384,696</u>	<u>\$ (65,101)</u>
Current liabilities	\$ 929,585	1,116,904	\$ (187,319)
Long-term debt outstanding	<u>5,282,228</u>	<u>5,120,166</u>	<u>162,062</u>
Total liabilities	<u>\$ 6,211,813</u>	<u>6,237,070</u>	<u>\$ (25,257)</u>
Net assets			
Invested in capital assets, net of related debt	\$ 3,788,845	3,551,440	\$ 237,405
Restricted	2,541,079	3,518,160	(977,081)
Unrestricted	<u>1,777,858</u>	<u>1,078,026</u>	<u>699,832</u>
Total net assets	<u>\$ 8,107,782</u>	<u>8,147,626</u>	<u>\$ (39,844)</u>

There were no significant current year transactions that have had an impact on the Statement of Net Assets.

**Changes in net assets** - The District's total revenues for the fiscal year ended June 30, 2005 were \$14,786,970. The total cost of all programs and services was \$14,825,551. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2005.

	<u>FISCAL YEAR 2005</u>	<u>FISCAL YEAR 2004</u>	<u>DIFFERENCE</u>
Revenues			
Program revenues	\$ 3,266,967	3,316,647	\$ (49,680)
General revenues	<u>11,520,003</u>	<u>11,309,378</u>	<u>210,625</u>
Total revenues	<u>\$ 14,786,970</u>	<u>14,626,025</u>	<u>\$ 160,945</u>
Expenses			
Instruction	8,178,905	8,391,686	(212,781)
Support services	5,262,439	5,025,407	237,032
Non-instructions	1,034,052	887,640	146,412
Sixteenth section	34,065	37,453	(3,388)
Interest on long-term liabilities	<u>316,090</u>	<u>280,950</u>	<u>35,140</u>
Total expenses	<u>14,825,551</u>	<u>14,623,136</u>	<u>202,415</u>
Increase in net assets	<u>\$ (38,581)</u>	<u>2,889</u>	<u>\$ (41,470)</u>

**CLAIBORNE COUNTY SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2005**

There were no significant changes in revenues and expenses from the prior year.

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

	FISCAL YEAR 2005 Total Expenses	FISCAL YEAR 2005 Net (Expense) Revenue	FISCAL YEAR 2004 Total Expenses	FISCAL YEAR Net 2004 (Expense) Revenue	Total Expense Difference	Net (Expense) Revenue Difference
Instruction	\$ 8,178,905	(7,022,445)	8,391,686	(7,167,063)	(212,781)	\$ 144,618
Support services	5,262,439	(4,177,371)	5,025,407	(3,875,744)	237,032	(301,627)
Non-instructional	1,034,052	(8,613)	887,640	54,721	146,412	(63,334)
Sixteenth section	34,065	(34,065)	37,453	(37,453)	(3,388)	3,388
Interest on long-term liabilities	<u>316,090</u>	<u>(316,090)</u>	<u>280,950</u>	<u>(280,950)</u>	<u>35,140</u>	<u>(35,140)</u>
Total expenses	\$ <u>14,825,551</u>	<u>(11,558,584)</u>	<u>14,623,136</u>	<u>(11,306,489)</u>	<u>202,415</u>	\$ <u>(252,095)</u>

Net cost of governmental activities (\$11,558,584), was financed by general revenue, which is made up of primarily property taxes ( \$4,430,495 ) and state revenue \$6,642,479.

Investment earnings accounted for \$18,312 of funding.

Sixteenth section sources accounted for 410,969 of funding.

**Financial Analysis of the District's Funds**

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$4,800,918, a decrease of \$121,257 from the prior year due to primarily an increase in teacher salaries.

**CLAIBORNE COUNTY SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2005**

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 \$872,289. The other major fund presented is the Sixteenth Section Interest Fund. The decrease in fund balance of \$903,253 is due primarily to a decrease in sixteenth section income from timber sales.

**Budgetary Highlights**

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

Budgeted amounts for revenues from local sources were increased due to increase receipts from special activities.

Budgeted amounts for revenues from state sources were decreased due to a reduction of MAEP funds final allocation.

Budgeted amounts for revenues from federal sources were increased due to a special education cluster grant and an increase in e-rate reimbursements.

Budgeted amounts for instructions increased due to teachers raises and an increase in insurance.

Budgeted amounts for support services decreased due to staff vacancies not filled and replacement of staffs at a lower pay rate.

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

**Capital Assets and Debt Administration**

**Capital Assets** - As of June 30, 2005, the District's total capital assets were \$15,220,076, including land, school buildings, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$572,765 from the previous year. Total accumulated depreciation as of June 30, 2005 was \$6,567,648, and total depreciation expense for the year was \$344,498, resulting in total net capital assets of \$8,652,428.

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

**Debt Administration** - At June 30, 2005, the District had \$5,282,228 in general obligation bonds and other long-term debt outstanding, of which \$885,461 is due within one year. In addition, the liability for compensated absences remained the same as the prior year.

The District maintains a AAA insured rating with Standard and Poor's and an AAA insured rating with Moody's Investor Services.

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

**CLAIBORNE COUNTY SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2005**

**Current Issues**

The Claiborne County 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 millage has remained the lowest of all Districts. In addition, the District's system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report, contact the Superintendent's Office of the Claiborne County School District, P. O. Box 337, Port Gibson, MS 39150.

CLAIBORNE COUNTY SCHOOL DISTRICT  
Statement of Net Assets  
June 30, 2005

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 4,636,437
Due from other governments	394,856
Other receivables, net	189,814
Inventories and prepaid items	42,465
Restricted assets	403,595
Capital assets, net	8,652,428
<b>Total Assets</b>	<b>\$ 14,319,595</b>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 794,432
Deferred revenue	71,819
Interest payable on long-term liabilities	63,334
Long-term liabilities, due within one year	
Capital related liabilities	727,144
Noncapital related liabilities	158,317
Long-term liabilities, due beyond one year	
Capital related liabilities	4,136,439
Noncapital related liabilities	260,328
<b>Total Liabilities</b>	<b>6,211,813</b>
<b>Net Assets</b>	
Investment in capital assets, net of related debt	3,788,845
Restricted net assets:	
Expendable:	
School-based activities	1,485,594
Debt service	219,026
Capital improvements	141,126
Forestry improvements	334,218
Unemployment benefits	69,865
Nonexpendable:	
Sixteenth section	291,250
Unrestricted	1,777,858
<b>Total Net Asset</b>	<b>8,107,782</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 14,319,595</b>

The Notes to the Financial Statements are an integral part of this statement.

CLAIBORNE COUNTY SCHOOL DISTRICT  
 Statement of Activities  
 For the Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Primary Government:					
Governmental Activities:					
Instruction	\$ 8,178,905	140,348	1,016,112	-	\$ (7,022,445)
Support services	5,262,439	41,637	1,043,431	-	(4,177,371)
Non-instructional	1,034,052	26,437	999,002	-	(8,613)
Sixteenth section	34,065	-	-	-	(34,065)
Interest on long-term liabilities	<u>316,090</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(316,090)</u>
Total Governmental Activities	<u>\$ 14,825,551</u>	<u>208,422</u>	<u>3,058,545</u>	<u>-</u>	<u>(11,558,584)</u>
General Revenues:					
Taxes:					
					\$ 3,889,225
					541,270
Unrestricted grants and contributions:					
					6,642,479
					4,585
					18,312
					410,969
					13,163
					<u>11,520,003</u>
Total General Revenues, Special Items Extraordinary Items and Transfers					
					<u>11,520,003</u>
Change in Net Assets					
					<u>(38,581)</u>
Net Assets - Beginning					
					8,147,625
					<u>(1,262)</u>
Net Assets - Beginning - Restated					
					<u>8,146,363</u>
Net Assets - Ending					
					<u>\$ 8,107,782</u>

The Notes to the Financial Statements are an integral part of this statement.

CLAIBORNE COUNTY SCHOOL DISTRICT  
Balance Sheet  
Governmental Funds  
June 30, 2005

	<u>Major Funds</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Sixteenth Section Interest Fund</u>	<u>Other Governmental Funds</u>	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,311,276	1,138,837	1,480,449	\$ 4,930,562
Cash with fiscal agent	-	-	171	171
Investments	-	-	109,299	109,299
Due from other governments	78,760	-	316,096	394,856
Other receivable, net	16,926	-	-	16,926
Due from other funds	376,736	3,342	-	380,078
Advances to other funds	1,000	-	-	1,000
Inventories and prepaid items	<u>38,784</u>	<u>-</u>	<u>3,681</u>	<u>42,465</u>
Total Assets	<u>\$ 2,823,482</u>	<u>1,142,179</u>	<u>1,909,696</u>	<u>\$ 5,875,357</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES:</b>				
Accounts payable and accrued liabilities	\$ 83,465	28,015	32,202	\$ 143,682
Due to other funds	542,223	-	316,716	858,939
Deferred revenue	<u>1,289</u>	<u>-</u>	<u>70,529</u>	<u>71,818</u>
Total Liabilities	<u>626,977</u>	<u>28,015</u>	<u>419,447</u>	<u>1,074,439</u>
<b>Fund Balances:</b>				
<b>Reserved for:</b>				
Unemployment benefits	-	-	69,865	69,865
Forestry improvements purposes	-	-	334,218	334,218
Permanent Fund purposes	-	-	291,250	291,250
Capital improvements	-	-	141,126	141,126
Debt Service	-	-	282,360	282,360
Inventory	-	-	3,681	3,681
Prepaid items	38,784	-	-	38,784
Advances	1,000	-	-	1,000
<b>Unreserved Undesignated,</b>				
<b>reported in:</b>				
General Fund	2,156,721	-	-	2,156,721
Special Revenue Funds	<u>-</u>	<u>1,114,164</u>	<u>367,749</u>	<u>1,481,913</u>
Total Fund Balances	<u>2,196,505</u>	<u>1,114,164</u>	<u>1,490,249</u>	<u>4,800,918</u>
Total Liabilities and Fund Balances	<u>\$ 2,823,482</u>	<u>1,142,179</u>	<u>1,909,696</u>	<u>\$ 5,875,357</u>

The Notes to the Financial Statements are an integral part of this statement.

CLAIBORNE COUNTY SCHOOL DISTRICT  
 Reconciliation of Governmental Funds Balance Sheet to the  
 Statement of Net Assets  
 June 30, 2005

	Amount
Total Fund Balance - Governmental Funds	\$ 4,800,918
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
1. Capital assets are used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$6,567,648	8,652,428
2. Long-term liabilities are not due and payable in the current period expenditures and therefore are not reported in the funds.	(5,282,228)
3. Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Assets recognizes interest as it accrue.	(63,334)
4. Rounding	(2)
Total Net Assets - Governmental Activities	\$ 8,107,782

The Notes to the Financial Statements are an integral part of this statement.

CLAIBORNE COUNTY SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2005

	<u>Major Funds</u>			Total Governmental Funds
	General Fund	Sixteenth Section Interest Fund	Other Governmental Funds	
<b>Revenues:</b>				
Local sources	\$ 4,060,538	-	567,312	\$ 4,627,850
Intermediate sources	-	-	8,615	8,615
State sources	6,285,396	-	625,818	6,911,214
Federal sources	117,312	-	2,668,468	2,785,780
Sixteenth section sources	-	398,563	54,044	452,607
Total Revenues	<u>10,463,246</u>	<u>398,563</u>	<u>3,924,257</u>	<u>14,786,066</u>
<b>Expenditures:</b>				
Instruction	6,676,492	-	1,340,655	8,017,147
Support services	4,469,118	-	1,202,311	5,671,429
Noninstructional services	6,152	-	1,000,684	1,006,836
Sixteenth section	-	5,179	28,886	34,065
Debt service:				
Principal	53,529	-	2,777,579	2,831,108
Interest	18,712	-	247,598	266,310
Other	-	-	64,984	64,984
Total Expenditures	<u>11,224,003</u>	<u>5,179</u>	<u>6,662,697</u>	<u>17,891,879</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(760,757)</u>	<u>393,384</u>	<u>(2,738,440)</u>	<u>(3,105,813)</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds from loans	208,778	-	-	208,778
Proceeds from refunding bonds	-	-	2,245,000	2,245,000
Inception of capital lease	500,000	-	39,392	539,392
Sale of other property	900	-	-	900
Operating transfers in	2,268,378	3,254	486,985	2,758,617
Operating transfers out	(1,345,010)	(1,299,891)	(113,716)	(2,758,617)
Other uses	-	-	-	-
Total Other Financing Sources (Uses)	<u>1,633,046</u>	<u>(1,296,637)</u>	<u>2,657,661</u>	<u>2,994,070</u>
Net Change in Fund Balances	<u>872,289</u>	<u>(903,253)</u>	<u>(80,779)</u>	<u>(111,743)</u>
<b>Fund Balances:</b>				
July 1, 2004	1,325,478	2,017,417	1,579,280	4,922,175
Prior period adjustments	(1,262)	-	-	(1,262)
July 1, 2004, as restated	<u>1,324,216</u>	<u>2,017,417</u>	<u>1,579,280</u>	<u>4,920,913</u>
(Decrease) in reserve for inventory	-	-	(8,252)	(8,252)
June 30, 2005	<u>\$ 2,196,505</u>	<u>1,114,164</u>	<u>1,490,249</u>	<u>\$ 4,800,918</u>

The Notes to the Financial Statements are an integral part of this statement.

CLAIBORNE COUNTY 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, 2005

	Amount
Net Change in Fund Balances - Governmental Funds	\$ (111,743)
Amounts reported for governmental activities in the Statement of Activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchase amounted to \$572,765 and the depreciation expense amounted to \$344,498.	228,267
2. The issuance of long-term debt provides current financial resources to governmental funds, but the issuance increase long-term liabilities in the Statement of Activities.	(2,993,170)
3. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Activities.	2,831,108
4. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.	15,204
6. Gains and losses on the sale or disposals of assets are not reported in the governmental funds, but are reported in the Statement of Activities net of proceeds.	-
7. Decrease in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are increased in the Statement of Activities.	(8,252)
8. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the government funds:	
Compensated absences	-
9. Rounding	5
Change in Net Assets of Governmental Activities	\$ (38,581)

The Notes to the Financial Statements are an integral part of this statement.

CLAIBORNE COUNTY SCHOOL DISTRICT  
Statement of Fiduciary Net Assets  
June 30, 2005

	Agency Funds
<b>Assets</b>	
Cash and cash equivalents	\$ 226,954
Due from other governments	40
Due from other funds	650,749
Total Assets	\$ 877,743
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 680,177
Due to other funds	171,888
Advances from other funds	1,000
Due to student clubs	24,678
Total Liabilities	\$ 877,743

The Notes to the Financial Statements are an integral part of this statement.

CLAIBORNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the school district have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the school district's accounting policies are described below.

A. Financial Reporting Entity

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the school district's governing board. As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five (5) member board which each member was elected by the citizens of each defined county district.

B. Basis of Presentation

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

*Government-wide Financial Statements:*

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

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

*Fund Financial Statements:*

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

CLAIBORNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2005

C. Measurement Focus and Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting as are the Fiduciary Fund financial Statements. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Program revenues on the Statement of Activities consist primarily of state appropriations and federal awards.

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

The school district reports the following major governmental funds:

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

Sixteenth Section Interest Fund - This fund is used to account for revenues and expenditures associated with sixteenth section land.

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

CLAIBORNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2005

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

FIDUCIARY FUNDS

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

D. Account Classifications

The account classifications used in the financial statements conform to the broad classifications recommended in the *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 1990* 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. Cash and Cash Equivalents

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.

Cash and cash equivalents consists of amounts on deposit in demand accounts and certificates of deposit with maturities of 12 months or less. Cash and cash equivalents are valued at cost.

G. Investments

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

For accounting purposes, certificates of deposit are classified as investments if they have a maturity greater than 12 months when acquired.

Investments are reported at fair value.

H. Inventories and Prepaid Items

Donated commodities are received from the USDA and are valued at USDA cost. Other inventories are valued at cost (calculated on the first-in, first-out basis).

CLAIBORNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2005

The costs of governmental fund type inventories are reported as expenditures when purchased.

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items in both governmental and fund financial statements.

I. Capital Assets

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

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

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

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

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

(\*) The threshold amount will correspond with the amounts for the asset classifications, as listed.

See Note 4 for details.

J. Long-term liabilities

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

K. Interfund Transactions and Balances

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

CLAIBORNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2005

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

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

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

L. Equity Classifications

*Government-wide Financial Statements:*

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

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

*Fund Financial Statements:*

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

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

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

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

CLAIBORNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2005

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

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.

Reserved for advances - An account used to offset advances recorded in the asset accounts since they do not constitute available spendable resources and are not a component of net current assets.

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

M. Property Taxes

Ad valorem property taxes are levied by the governing authority of the county on behalf of the school district based upon an order adopted by the school board of the school district requesting an ad valorem tax effort in dollars. Since the taxes are not levied and collected by the school district, the revenues to be generated by the annual levies are not recognized until the taxes are actually collected by the tax levying authority.

N. Mississippi Adequate Education Program Revenues

Revenues from the adequate education program are appropriated on a fiscal year basis and are recorded at the time the revenues are received from the State of Mississippi.

O. Compensated Absences

Employees of the school district accumulate sick leave at a minimum amount as required by state law or at a greater amount provided by school district policy. Some employees are allowed personal leave and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss Code Ann. (1972).

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

CLAIBORNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2005

NOTE 2 - CHANGES IN ACCOUNTING STANDARDS

As required, the School district has implemented Government Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures-an amendment of GASB Statement No. 3* for the current fiscal year. This Statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Appropriate note disclosures have been incorporated to comply with the requirements of this standard.

NOTE 3 - CASH AND CASH EQUIVALENTS, CASH WITH FISCAL AGENT AND INVESTMENTS

Cash and Cash Equivalents

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

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$4,930,562 and \$226,954, respectively. The carrying amount of deposits reported in the government-wide financial statements was: Cash and Cash Equivalents - \$4,636,437 and Restricted Assets - \$403,595. The Restricted Assets represent the cash balance in the sixteenth section principal fund (Permanent Fund) which is legally restricted and may not be used for purposes that support district's programs. The bank balance was \$5,320,845.

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of a failure of a financial institutions, 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 policy for custodial credit risk. However, the Mississippi State Treasurer manages the 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, 2005, none of the district's bank balance of \$5,320,845 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of the school district's cash with fiscal agents held by financial institutions was \$171.

Investments

As of June 30, 2005, the district had the following investments. Except for the investment in Hancock Horizon Treasury Securities, all investments are in an internal investment pool.

Investment Type	Maturities (in years)	Fair Value	Rating
Hancock Horizon Treasury Securities - money market funds	less than 1	\$ <u>109,299</u>	AA
Total Investments		\$ <u>109,299</u>	

CLAIBORNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2005

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

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

**Custodial Credit Risk - Investments.** Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. Of the district's \$109,299 investment in Hancock Horizon Treasury Securities, \$109,299 of underlying securities are held by the investments 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, 2005, the district had the following investments:

As of June 30, 2005, the district had the following investments:

Issuer	Fair Value	% of Total Investments
Hancock Bank	\$ 109,299	100%
	<u>\$ 109,299</u>	

**NOTE 4 - INTERFUND TRANSACTIONS AND BALANCES**

The following is a summary of interfund transactions and balances:

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

	Due From	Due to
Governmental Funds		
General Fund	\$ 376,736	\$ 542,223
Sixteenth Section Interest Fund	3,342	-
Other governmental funds	-	316,716
Fiduciary Funds	<u>650,749</u>	<u>171,888</u>
Total	<u>\$ 1,030,827</u>	<u>\$ 1,030,827</u>

Due from other funds represents amounts receivable from other funds and due to other funds represents amounts payable to other funds.

**B. Advances To/From Other Funds**

	Advances To	Advances From
Governmental Funds		
General Fund	\$ 1,000	\$ -
Fiduciary Funds	-	1,000
Total	<u>\$ 1,000</u>	<u>\$ 1,000</u>

CLAIBORNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2005

Advances to other funds represents amounts receivable from other funds and advances from other funds represents amounts payable to other funds. These accounts includes only long-term obligations.

C. Transfers In/Out

	<u>Transfer In</u>	<u>Transfers Out</u>
Governmental Funds:		
General Fund	\$ 2,268,378	\$ 1,345,010
Sixteenth Section Interest Fund	3,254	1,299,891
Other governmental funds	<u>486,985</u>	<u>113,716</u>
Total	<u>\$ 2,758,617</u>	<u>\$ 2,758,617</u>

Transfers-in represent the receipts of monies from other funds and transfers-out represent monies disbursed to other funds.

NOTE 5 - CAPITAL ASSETS

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

	<u>Balance July 1, 2004</u>	<u>Addition</u>	<u>Retirement</u>	<u>Completed Construction</u>	<u>Adjustments</u>	<u>Balance June 30, 2005</u>
<u>Non-depreciable Capital Assets:</u>						
Land	\$ <u>473,980</u>	-	-	-	-	\$ <u>473,980</u>
Total non-depreciable capital assets	<u>473,980</u>	-	-	-	-	<u>473,980</u>
<u>Depreciable capital assets:</u>						
Buildings	11,858,760	-	-	-	-	11,858,760
Mobile equipment	1,804,285	-	-	-	-	1,804,285
Furniture and equipment	510,286	87,265	-	-	-	597,551
Leased property under capital lease	-	<u>485,500</u>	-	-	-	<u>485,500</u>
Total depreciable capital assets	<u>14,173,331</u>	<u>572,765</u>	-	-	-	<u>14,746,096</u>
<u>Less accumulated depreciation for:</u>						
Buildings	4,738,051	161,759	-	-	-	4,899,810
Mobile equipment	1,187,018	84,018	-	-	-	1,271,036
Furniture and equipment	298,081	55,031	-	-	-	353,112
Leased property under capital lease	-	<u>43,690</u>	-	-	-	<u>43,690</u>
Total accumulated depreciation	<u>6,223,150</u>	<u>344,498</u>	-	-	-	<u>6,567,648</u>
Total depreciable capital assets, net	<u>7,950,181</u>	<u>228,267</u>	-	-	-	<u>8,178,448</u>
Governmental activities capital assets, net	<u>\$ 8,424,161</u>	<u>228,267</u>	-	-	-	<u>\$ 8,652,428</u>

CLAIBORNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2005

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 161,759
Support services	163,775
Non-instructional	<u>18,964</u>
Total depreciation expense	<u>\$ 344,498</u>

NOTE 6 - LONG-TERM LIABILITIES

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

	Balance Jul. 1, 2004	Add.	Reduction	Balance June 30, 2005	Amounts due within one year
A. General obligation bonds payable	\$2,555,000	2,245,000	2,555,000	\$ 2,245,000	\$ 420,000
B. Limited obligation bonds payable	2,275,000	-	185,000	2,090,000	195,000
C. Obligations under capital lease	42,720	539,392	53,529	528,583	112,144
D. Shortfall note payable	116,858	208,778	37,579	288,057	105,530
E. Compensated absences payable	<u>130,588</u>	<u>-</u>	<u>-</u>	<u>130,588</u>	<u>52,787</u>
Total	<u>\$5,120,166</u>	<u>2,993,170</u>	<u>2,831,108</u>	<u>\$ 5,282,228</u>	<u>\$ 885,461</u>

A. General Obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation refunding bonds, Series 2005	2.55/3.2%	4/1/05	5-01-10	\$ <u>2,245,000</u>	\$ <u>2,245,000</u>
Total				\$ <u>2,245,000</u>	\$ <u>2,245,000</u>

CLAIBORNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2005

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

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 420,000	71,728	\$ 491,728
2007	440,000	55,500	495,500
2008	450,000	42,960	492,960
2009	460,000	29,460	489,460
2010	475,000	15,200	490,200
Thereafter	-	-	-
<b>Total</b>	<b><u>\$ 2,245,000</u></b>	<b><u>214,848</u></b>	<b><u>\$ 2,459,848</u></b>

The amount of bonded indebtedness that can be incurred by the school district is limited by state statute. Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in state statutes, have been met. As of June 30, 2005, the amount of outstanding bonded indebtedness was equal to 4% property assessments as of October 1, 2004. This debt will be retired from Claiborne County School Bond Fund.

On April 1, 2005, the district issued \$2,245,000 in general obligation refunding bonds with an average interest rate of 2.88 percent to advance refunds \$2,180,000 of outstanding general obligations bonds with various interest rates. The net proceeds of \$2,180,000 after payment of \$22,450 for issuance costs were deposited in an irrevocable trust with an escrow agent to provide for all future debt payment requirements on the 1993 general obligation bonds.

As a result, the 1993 general obligation bonds are considered to be defeased and the liability for those bonds certificates has been removed from long-term liabilities.

The district advance refunded the \$3,920,000 to reduce its total debt service payments over the remaining five years of the debt by approximately \$82,968 and to obtain a gain of \$40,824

**B. Limited obligation bonds payable**

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
State aid capital improvement bonds, Series 1998	4.95%	06/01/98	08/01/13	\$ <u>2,660,000</u>	\$ <u>2,090,000</u>
<b>Total</b>				<b><u>\$ 2,660,000</u></b>	<b><u>\$ 2,090,000</u></b>

CLAIBORNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2005

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

Year Ending June 30	Principal	Interest	Total
2006	195,000	98,629	293,629
2007	200,000	88,853	288,853
2008	205,000	78,829	283,829
2009	220,000	68,310	288,310
2010	225,000	57,296	282,296
Thereafter	<u>1,045,000</u>	<u>106,302</u>	<u>1,151,302</u>
Total	<u>\$ 2,090,000</u>	<u>498,219</u>	<u>\$ 2,588,219</u>

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi pursuant to the Mississippi Accountability and Adequate Education Program Act, Sections 37-151-1 through 37-1515-7, Miss. Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of the debt limit percentage. This debt will be retired from Claiborne County School Debt Bond Fund.

C. Obligations under capital leases

The school district has entered into lease agreement that qualifies as capital lease for accounting purposes. Leased property under capital lease is composed of telephone equipment, surveillance equipment and school buses.

Upon written notice to the lessor, the lessee has the option of repaying the total amount due as set forth be the agreement.

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

Year Ending June 30	Principal	Interest	Total
2006	\$ 112,144	26,846	\$ 138,990
2007	118,384	20,606	138,990
2008	116,472	14,210	130,682
2009	116,435	8,246	124,681
2010	<u>65,148</u>	<u>2,125</u>	<u>67,273</u>
Total	<u>\$ 528,583</u>	<u>72,033</u>	<u>\$ 600,616</u>

This debt will be retired from the District's Maintenance Fund.

CLAIBORNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2005

D. Shortfall Note Payable

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
2004 Tax shortfall Note	3.90%	06/16/04	06/16/07	\$ 116,858	\$ 79,406
2005 Tax shortfall Note	4.25%	06/29/05	06/29/08	208,778	208,651
Total				\$ 325,636	\$ 288,057

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 105,530	12,136	\$ 117,666
2007	109,939	7,727	117,666
2008	72,588	3,142	75,730
Total	\$ 288,057	23,005	\$ 311,062

This debt will be retired from the District's Debt Service Fund.

E. Compensated absences payable

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

NOTE 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.

CLAIBORNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2005

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 current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2005, 2004, and 2003 were \$840,057, \$821,209, and \$802,942, respectively, which equalled the required contributions for each year.

NOTE 8 - 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 school. The following are the future rental payments to be made to the school district for the use of the school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

<u>Year Ending June 30</u>	<u>Amount</u>
2006	\$ 152,230
2007	147,641
2008	147,644
2009	18,852
2010	1,546
2010 to 2015	<u>6,638</u>
	<u>\$ 474,551</u>

NOTE 9 - PRIOR PERIOD ADJUSTMENTS

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

Explanation

Reclassify fund equity - An adjustment to correct a prior year error in recording an asset or liability. \$ (1,262)

Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balance

Explanation

Reclassify fund equity - An adjustment to correct a prior year error in recording an asset or liability.

General funds	\$ <u>(1,262)</u>
Total	\$ <u>(1,262)</u>

CLAIBORNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2005

NOTE 10 - LITIGATION

The following cases were outstanding against the Claiborne County School District at June 30, 2005:

Claiborne County School District v. Claiborne County Board of Supervisors

This is an action for declaratory relief and damages filed by the Claiborne County School District against the Claiborne County Board of Supervisors due to its failure to increase the school district's tax levy in accordance with Section 37-57-105, of the Miss. Code Ann. (1972) Annotated. A Judgment of Dismissal was filed by the judge on March 8, 2002. A Motion for Relief from Judgment has been filed but there has been no ruling.

NOTE 11 - RISK MANAGEMENT

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

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 127 school districts and covers risks of loss arising from injuries to the school district's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by BankcorpSouth in Jackson. The funds in the trust account are used to pay any claim up to \$400,000. For a claim exceeding \$400,000, MSBAWCT has insurance which will pay the excess up to \$25,000,000. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

CLAIBORNE COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTAL INFORMATION

CLAIBORNE COUNTY SCHOOL DISTRICT  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended June 30, 2005

	<u>Original</u>	<u>Final</u>	<u>Actual (GAAP Basis)</u>	<u>Original to Final</u>	<u>Final to Actual</u>
Revenues:					
Local sources	\$ 4,104,886	4,122,433	4,060,538	17,547	\$ (61,895)
State sources	6,608,795	6,296,801	6,285,396	(311,994)	(11,405)
Federal sources	<u>72,688</u>	<u>122,688</u>	<u>117,312</u>	<u>50,000</u>	<u>(5,376)</u>
Total Revenues	<u>10,786,369</u>	<u>10,541,922</u>	<u>10,463,246</u>	<u>(244,447)</u>	<u>(78,676)</u>
Expenditures:					
Instruction	6,971,651	7,238,587	6,676,492	(266,936)	562,095
Support services	4,304,917	4,056,769	4,469,118	248,148	(412,349)
Noninstructional services	-	6,496	6,152	(6,496)	344
Debt service.	<u>15,000</u>	<u>72,408</u>	<u>72,241</u>	<u>(57,408)</u>	<u>167</u>
Total Expenditures	<u>11,291,568</u>	<u>11,374,260</u>	<u>11,224,003</u>	<u>(82,692)</u>	<u>150,257</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(505,199)</u>	<u>(832,338)</u>	<u>(760,757)</u>	<u>(327,139)</u>	<u>71,581</u>
Other Financing Sources (Uses):					
Proceeds from loans.	-	-	208,778	-	208,778
Inception of capital lease	-	-	500,000	-	500,000
Sale of other property	-	-	900	-	900
Operating transfers in	2,354,394	2,345,693	2,268,378	(8,701)	(77,315)
Operating transfers out	<u>(1,999,867)</u>	<u>(1,545,707)</u>	<u>(1,345,010)</u>	<u>454,160</u>	<u>200,697</u>
Other uses	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>354,527</u>	<u>799,986</u>	<u>1,633,046</u>	<u>445,459</u>	<u>833,060</u>
Net Change in Fund Balances	<u>(150,672)</u>	<u>(32,352)</u>	<u>872,289</u>	<u>118,320</u>	<u>904,641</u>
Fund Balances:					
July 1, 2004	<u>675,874</u>	<u>1,324,213</u>	<u>1,324,216</u>	<u>648,339</u>	<u>3</u>
June 30, 2005	<u>\$ 525,202</u>	<u>1,291,861</u>	<u>2,196,505</u>	<u>766,659</u>	<u>\$ 904,644</u>

CLAIBORNE COUNTY SCHOOL DISTRICT  
 Budgetary Comparison Schedule  
 Sixteenth Section Interest Fund  
 For the Year Ended June 30, 2005

	<u>Original</u>	<u>Final</u>	<u>Actual (GAAP Basis)</u>	<u>Original to Final</u>	<u>Final to Actual</u>
Revenues:					
Sixteenth section sources	\$ <u>383,000</u>	<u>413,000</u>	<u>398,563</u>	<u>30,000</u>	\$ <u>(14,437)</u>
Total Revenues	<u>383,000</u>	<u>413,000</u>	<u>398,563</u>	<u>30,000</u>	<u>(14,437)</u>
Expenditures:					
Sixteenth section Facilities acquisition and const.	612,584	617,281	5,179	(4,697)	612,102
Total Expenditures	<u>612,584</u>	<u>617,281</u>	<u>5,179</u>	<u>(4,697)</u>	<u>612,102</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(229,584)</u>	<u>(204,281)</u>	<u>393,384</u>	<u>25,303</u>	<u>597,665</u>
Other Financing Sources (Uses):					
Operating transfers in	15,000	15,000	3,254	-	(11,746)
Operating transfers out	<u>(1,299,891)</u>	<u>(1,299,891)</u>	<u>(1,299,891)</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(1,284,891)</u>	<u>(1,284,891)</u>	<u>(1,296,637)</u>	<u>-</u>	<u>(11,746)</u>
Net Change in Fund Balances	<u>(1,514,475)</u>	<u>(1,489,172)</u>	<u>(903,253)</u>	<u>25,303</u>	<u>585,919</u>
Fund Balances:					
July 1, 2004	<u>2,033,637</u>	<u>2,017,419</u>	<u>2,017,417</u>	<u>(16,218)</u>	<u>(2)</u>
June 30, 2005	\$ <u>519,162</u>	<u>528,247</u>	<u>1,114,164</u>	<u>9,085</u>	\$ <u>585,917</u>

CLAIBORNE COUNTY SCHOOL DISTRICT  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2005

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

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

SUPPLEMENTAL INFORMATION

CLAIBORNE COUNTY SCHOOL DISTRICT  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2005

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>		
Passed-Through MS Department of Education:		
Non-Cash Assistance:		
Food donation	10.550	\$ <u>55,067</u>
Child Nutrition Cluster		
School Breakfast Program	10.553	314,029
National School Lunch Program	10.555	587,456
Summer Food Service Program for Children	10.559	<u>38,726</u>
Total Child Nutrition Cluster		<u>940,211</u>
Child and Adult Care Food Program	10.558	<u>15,247</u>
Total U.S. Department of Agriculture		<u>1,010,525</u>
<u>U. S. Department of Education</u>		
Direct Program:		
Twenty-First Century Community Learning Centers	84.287	18,749
Fund for the improvement of education	84.215	<u>21,212</u>
Total		<u>39,961</u>
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	948,261
Vocational education - basic grants to states	84.048	32,211
Safe and drug-free schools and communities - state grants	84.186	18,118
Education technology state grants	84.318	19,027
Improving Teacher Quality - state grants	84.367	189,913
State grants for innovative programs	84.298	13,705
Rural education	84.358	<u>67,751</u>
Total		<u>1,288,986</u>

CLAIBORNE COUNTY SCHOOL DISTRICT  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2005

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
Special education cluster:		
Special education - grants to states	84.027	\$ 370,833
Special education - preschool grants	84.173	<u>4,554</u>
Total		<u>375,387</u>
 Total passed-through Mississippi Department of Education		 <u>1,664,373</u>
 Total U.S. Department of Education		 <u>1,704,334</u>
 U. S. Department of Defense		
Direct Program:		
Reserve Officer Training Program	12.XXX	<u>66,337</u>
Total U. S. Department of Defense		<u>66,337</u>
 <u>Federal Communications Commission</u> Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.XXX	<u>4,589</u>
Total Federal Communications Commission		<u>4,589</u>
 Total for All Federal Awards		 \$ <u>2,785,785</u>

CLAIBORNE COUNTY SCHOOL DISTRICT  
Schedule of Expenditures of Federal Awards  
Notes to Schedule  
For the Year Ended June 30, 2005

Notes to Schedule

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

CLAIBORNE COUNTY SCHOOL DISTRICT  
Schedule of Instructional, Administrative and Other Expenditures  
Governmental Funds  
For the Year Ended June 30, 2005

<u>Expenditures</u>	<u>Total</u>	<u>Instruction</u>	<u>Administrative</u>	<u>Other</u>
Salaries and fringe benefits	\$ 10,854,514	7,573,724	1,187,112	\$ 2,093,678
Other	<u>7,037,365</u>	<u>443,423</u>	<u>322,781</u>	<u>6,271,161</u>
Total	<u>\$ 17,891,879</u>	<u>8,017,147</u>	<u>1,509,893</u>	<u>\$ 8,364,839</u>
 Total number of students	 1,869			
 Cost per student	 \$ 9,573	 \$ 4,290	 \$ 808	 \$ 4,476

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

Instruction - Includes the activities dealing directly with the interaction between teachers and students, included here are the activities of teachers, teachers aides or classroom assistants of any type. (all the 1000 functional codes)

Administrative - includes expenditures for the following function: Support Services - General Administration (2300s); Support Services - School Administration (2400s); and support Services - Business (2500s)

Other - includes all expenditure functions not included in Instruction or Administrative

CLAIBORNE COUNTY SCHOOL DISTRICT

REPORTS ON COMPLIANCE AND INTERNAL CONTROL



**BANKS, FINLEY,  
WHITE & CO.**

CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Claiborne County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Claiborne County School District as of and for the year ended June 30, 2005, which collectively comprise the Claiborne County School District's basic financial statements and have issued our report thereon dated February 9, 2006. 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 Claiborne County School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We did not note any matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Claiborne County 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 or other matters that are required to be reported under *Government Auditing Standards*.

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

*Banks, Faily, White & Co.*

February 9, 2006

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

Superintendent and School Board  
Claiborne County School District

Compliance

We have audited the compliance of the Claiborne County 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, 2005, which collectively comprise the Claiborne County School District's basic financial statements. The school district's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the 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; 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 that 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, Claiborne County 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, 2005.

Internal Control Over Compliance

The management of the Claiborne County 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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

*Bank, Fidy, White & Co.*

February 9, 2006



**BANKS, FINLEY,  
WHITE & CO.**

CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Claiborne County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Claiborne County School District as of and for the year ended June 30, 2005, which collectively comprise the Claiborne County School District's basic financial statements, and have issued our report thereon dated February 9, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3), 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(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(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$124,417 of class room supply funds carried over from previous years.

The results of procedures performed to test compliance with other state laws and regulations and our audit of the basic 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.

*Banks, Finley White & Co.*

February 9, 2006

CLAIBORNE COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CLAIBORNE COUNTY SCHOOL DISTRICT  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2005

Section 1: Summary of Auditor's Results

Financial Statements:

- |    |  |             |
|----|--|-------------|
| 1. | Type of auditor's report issued on the basic financial statements.                     | Unqualified |
| 2. | Material noncompliance relating to the basic financial statements.                     | None        |
| 3. | Internal control over financial reporting:   |             |
|    | a. Material weaknesses identified?   | None        |
|    | b. Reportable conditions identified that are not considered to be material weaknesses? | None        |

Federal Awards:

- |     |   |             |
|-----|---|-------------|
| 4.  | Type of auditor's report issued on compliance for major federal programs  | Unqualified |
| 5.  | Internal control over major programs:   |             |
|     | a. Material weaknesses identified?  | None        |
|     | b. Reportable conditions identified that are not considered to be material weaknesses?  | None        |
| 6.  | Any audit findings reported as required by Section __.510(a) of Circular A-133?   | No          |
| 7.  | Federal programs identified as major programs:  |             |
|     | a. Cluster: Child Nutrition<br>CFDA #10.553<br>CFDA #10.555<br>CFDA #10.559   |             |
|     | b. CFDA #84.010, Title I Grants to Local Educational Agencies   |             |
| 8.  | The dollar threshold used to distinguish between type A and type B programs:  | \$300,000   |
| 9.  | Auditee qualified as a low-risk auditee?  | No          |
| 10. | Prior fiscal year audit findings and questioned cost relative to federal awards which would require auditee to prepare a summary schedule of prior audit findings as discussed in Section _____.315(b) of OMB Circular A-133? | Yes         |

CLAIBORNE COUNTY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2005

Section 2: Findings Relating to the Financial Statements

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

Section 3: Federal Award Findings and Questioned Costs

The results of our test did not disclosed any findings and questioned cost related to the federal awards.

CLAIBORNE COUNTY SCHOOL DISTRICT  
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

As required by Section .315(b) of OMB Circular A-133, the Claiborne County School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2005 :

<u>Finding</u>	<u>Status</u>
04-1	Corrective action was taken