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**CLAIBORNE COUNTY SCHOOL DISTRICT**

**AUDITED FINANCIAL STATEMENTS**

**JUNE 30, 2007**

CLAIBORNE COUNTY SCHOOL DISTRICT  
 June 30, 2007  
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**BANKS, FINLEY,  
WHITE & CO.**  
CERTIFIED PUBLIC ACCOUNTANTS

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, 2007, 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, 2007, 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 January 26, 2009, on our consideration of Claiborne County 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 3 through 11 and the Budgetary Comparison Schedule and corresponding notes on pages 36 and 39 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 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.

*Baker, Family, White & CC.*

January 26, 2009

CLAIBORNE COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CLAIBORNE COUNTY SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2007**

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, 2007. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the financial statements and the notes to the basic financial statements and to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the District's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

**Financial Highlights**

- Total net assets increased \$264,373, which represents an 3.17% increase from fiscal year 2006.
- General revenues account for \$12,870,863 in revenue, or 80% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,179,715 or 20% of total revenues.
- The District had \$15,700,899 in expenses; only \$3,179,715 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$12,870,863 were adequate to provide for these programs.
- Among major funds, the General Fund had \$11,411,770 in revenues and \$11,577,636 in expenditures, \$853,290 in other financing sources and \$865,904 in other uses. The General Fund's fund balance decreased \$269,972 from the prior year.
- Capital assets, net of accumulated depreciation, decreased by \$142,954 from the prior year. This decrease was due mainly to depreciation of the capital assets.
- Long-term debt decreased by \$674,894 from the prior year. This decrease was due to the annual principal payment on the debt.

**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, 2007**

**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 of this report.

**CLAIBORNE COUNTY SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2007**

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 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 on page 18 through 34 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 on pages 38 - 39 of this report.

Additionally, a Schedule of Expenditures of Federal Awards is required by OMB Circular A-133 and can be found on pages 43 - 44 of this report.

**Government-wide Financial Analysis**

**Net assets** - Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$8,594,813 as of June 30, 2007.

By far the largest portion of the District's net assets \$3,976,085 reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment, leased property under capital leases and construction in progress, 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.

**CLAIBORNE COUNTY SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2007**

The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2007 and 2006, respectively.

	<u>NET ASSETS</u>		<u>Percentage Change</u>
	<u>JUNE 30, 2007</u>	<u>JUNE 30, 2006</u>	
Current assets	\$ 5,815,219	\$ 5,720,464	1.66 %
Capital assets, net	<u>8,254,143</u>	<u>8,397,097</u>	(1.70)%
Total assets	<u>\$ 14,069,362</u>	<u>\$ 14,117,561</u>	(0.34)%
Current liabilities	\$ 764,473	\$ 402,152	90.10 %
Long-term debt outstanding	<u>4,710,076</u>	<u>5,384,969</u>	(12.53)%
Total liabilities	<u>\$ 5,474,549</u>	<u>\$ 5,787,121</u>	(5.40)%
Net assets			
Invested in capital assets, net of related debt	\$ 3,976,085	4,260,578	(6.68)%
Restricted	2,717,594	2,210,288	22.95 %
Unrestricted	<u>1,901,134</u>	<u>1,859,574</u>	2.23 %
Total net assets	<u>\$ 8,594,813</u>	<u>8,330,440</u>	3.17 %

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

- Increase in total current assets in the amount of \$188,200
- Decrease in net capital assets in the amount of \$853,290
- Increase in current liabilities in the amount of \$865,904.
- Decrease in long-term liabilities in the amount of \$120,656.

**CLAIBORNE COUNTY SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2007**

**Changes in net assets** - The District's total revenues for the fiscal year ended June 30, 2007 were \$16,050,578. The total cost of all programs and services was \$15,700,899. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2007 and 2006, respectively.

	<u>Change in Net Assets</u>		<u>Percentage Change</u>
	<u>JUNE 30, 2007</u>	<u>JUNE 30, 2006</u>	
Revenues			
Program revenues:			
Charges for services	\$ 127,281	194,754	(34.65)%
Operating grants and contributions	3,052,434	3,441,267	(11.30)%
General revenues:			
Property taxes	4,672,472	4,533,597	3.06 %
Grants and contributions not restricted	7,744,477	6,657,676	16.32
Other	453,914	239,075	89.86
Total revenues	<u>\$ 16,050,578</u>	<u>15,066,369</u>	6.53 %
Expenses:			
Instruction	8,971,924	8,624,862	4.02 %
Support services	5,354,754	4,974,709	7.64 %
Non-instructions	1,166,808	1,014,073	15.06 %
Sixteenth section	10,416	17,877	(41.74)%
Interest and other expense on long-term liabilities	196,997	230,270	(14.45)%
Total expenses	<u>15,700,899</u>	<u>14,861,791</u>	5.65 %
Increase (Decrease) in net assets	349,679	204,578	70.93 %
Net Asset, July 1	8,330,440	8,107,782	2.75 %
Prior period adjustment	(85,306)	18,080	(571.83)%
Net Asset, June 30	<u>\$ 8,594,813</u>	<u>8,330,440</u>	3.17 %

**CLAIBORNE COUNTY SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2007**

**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.

	2007		2006	
	Total Expenses	Net (Expense) Revenue	Total Expenses	Net (Expense) Revenue
Instruction	\$ 8,971,924	\$ (7,724,076)	\$ 8,624,862	\$ (6,847,379)
Support services	5,354,754	(4,515,002)	4,974,709	(4,148,910)
Non-instructional	1,166,808	(74,693)	1,014,073	18,666
Sixteenth section	10,416	(10,416)	17,877	(17,877)
Interest on long-term liabilities	196,997	(196,997)	230,270	(230,270)
Total expenses	<u>\$ 15,700,899</u>	<u>\$ (12,521,184)</u>	<u>\$ 14,861,791</u>	<u>\$ (11,225,770)</u>

Net cost of governmental activities \$12,521,184, was financed by general revenue, which is made up of primarily property taxes \$4,672,472 and state revenue \$7,469,185.

Investment earnings accounted for \$65,651 of funding.

Sixteenth section sources accounted for 374,833 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 \$5,126,386, a decrease of \$255,086 from the prior year.

**CLAIBORNE COUNTY SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2007**

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$269,972. The other major funds and their increase (decrease) in fund balances were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
School Lunch Fund	\$ 23,708
Title I Fund	-
Note shortfall Fund	(57,361)

**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, 2007, the District's total capital assets were \$15,318,395, including land, school buildings, buses, other school vehicles, and furniture and equipment. This amount represents a decrease of \$18,760 from the previous year. Total accumulated depreciation as of June 30, 2007 was \$7,064,252, and total depreciation expense for the year was \$378,220, resulting in total net capital assets of \$8,254,143.

	<u>Capital Assets, Net of Depreciation</u>		<u>Percentage Change</u>
	<u>2007</u>	<u>2006</u>	
Land	\$ 473,980	\$ 473,980	- %
Buildings	6,635,432	6,797,191	(2.38)%
Building improvements	206,582	-	100.00 %
Mobile equipment	391,054	454,857	(14.03)%
Furniture and equipment	192,665	272,949	(29.41)%
Leased property under capital lease	354,430	398,120	(10.97)%
Total	<u>\$ 8,254,143</u>	<u>\$ 8,397,097</u>	(1.70)%

**CLAIBORNE COUNTY SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2007**

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

**Debt Administration** - At June 30, 2007, the District had \$4,710,076 in general obligation bonds and other long-term debt outstanding, of which \$966,199 is due within one year. In addition, the liability for compensated absences increased by \$8,450 from the prior year.

	Outstanding Debt		Percentage Change
	2007	2006	
General obligation bonds payable	\$ 1,385,000	\$ 1,825,000	(24.11)%
Limited Obligation bonds payable	1,695,000	1,895,000	(10.55)%
Obligations under capital lease	298,058	416,519	(28.44)%
Shortfall note payable	324,242	249,124	30.15 %
Qualified zone academy bonds payable	900,000	900,000	100.00 %
Compensated absences payable	107,776	99,326	8.51 %
Total	<u>\$ 4,710,076</u>	<u>\$ 5,384,969</u>	(12.53)%

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.

**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, 2007

EXHIBIT A

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 4,584,348
Due from other governments	450,458
Other receivables, net	239,066
Inventories and prepaid items	45,178
Restricted assets	496,169
Capital assets, non-depreciable	
Land	473,980
Capital assets, net of accumulated depreciation	
Buildings	6,635,432
Building improvements	206,582
Mobile equipment	391,054
Furniture and equipment	192,665
Leased property under capital lease	<u>354,430</u>
<b>Total Assets</b>	<b><u>\$ 14,069,362</u></b>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 599,597
Deferred revenue	89,232
Interest payable on long-term liabilities	75,644
Long-term liabilities, due within one year	
Capital related liabilities	771,472
Noncapital related liabilities	194,727
Long-term liabilities, due beyond one year	
Capital related liabilities	3,506,586
Noncapital related liabilities	<u>237,291</u>
<b>Total Liabilities</b>	<b><u>5,474,549</u></b>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	3,976,085
Restricted net assets:	
Expendable:	
School-based activities	1,015,625
Debt service	302,574
Capital improvements	669,339
Forestry improvements	375,895
Unemployment benefits	44,856
Nonexpendable:	
Sixteenth section	309,305
Unrestricted	<u>1,901,134</u>
<b>Total Net Asset</b>	<b><u>8,594,813</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 14,069,362</u></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, 2007

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:					
Instruction	\$ 8,971,924	69,127	1,178,721	-	\$ (7,724,076)
Support services	5,354,754	37,695	802,057	-	(4,515,002)
Non-instructional	1,166,808	20,459	1,071,656	-	(74,693)
Sixteenth section	10,416	-	-	-	(10,416)
Interest on long-term liabilities	<u>196,997</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(196,997)</u>
Total Governmental Activities	<u>\$ 15,700,899</u>	<u>127,281</u>	<u>3,052,434</u>	<u>-</u>	<u>(12,521,184)</u>
General Revenues:					
Taxes:					
					\$ 4,041,503
					630,969
Unrestricted grants and contributions:					
					7,469,185
					275,292
					65,651
					374,833
					<u>13,430</u>
					<u>12,870,863</u>
Total General Revenues, Special Items Extraordinary Items and Transfers					
					<u>12,870,863</u>
Change in Net Assets					
					<u>349,679</u>
Net Assets - Beginning					
					8,330,440
					<u>(85,306)</u>
Net Assets - Beginning - Restated					
					<u>8,245,134</u>
Net Assets - Ending					
					<u>\$ 8,594,813</u>

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

CLAIBORNE COUNTY SCHOOL DISTRICT  
Balance Sheet  
Governmental Funds  
June 30, 2007

	Major Funds					Total Governmental Funds
	General Fund	School Lunch Fund	Title I Fund	Note Shortfall Fund	Other Governmental Funds	
<b>ASSETS</b>						
Cash and cash equivalents	\$ 1,972,503	322,844	9,217	164,821	2,422,933	\$ 4,892,318
Cash with fiscal agent	-	-	-	-	188,200	188,200
Due from other governments	121,648	-	123,000	4,597	202,549	451,794
Other receivable, net	16,927	50	-	-	205	17,182
Due from other funds	593,911	56,506	15,992	-	95,208	761,617
Advances to other funds	1,000	-	-	-	-	1,000
Inventories and prepaid items	<u>38,784</u>	<u>6,394</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,178</u>
<b>Total Assets</b>	<b><u>\$ 2,744,773</u></b>	<b><u>385,794</u></b>	<b><u>148,209</u></b>	<b><u>169,418</u></b>	<b><u>2,909,095</u></b>	<b><u>\$ 6,357,289</u></b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES:</b>						
Accounts payable and accrued liabilities	\$ 87,781	4,010	8,533	75,593	63,881	\$ 239,798
Due to other funds	323,844	208,527	139,142	75,593	154,767	901,873
Deferred revenue	<u>-</u>	<u>-</u>	<u>534</u>	<u>-</u>	<u>88,698</u>	<u>89,232</u>
<b>Total Liabilities</b>	<b><u>411,625</u></b>	<b><u>212,537</u></b>	<b><u>148,209</u></b>	<b><u>151,186</u></b>	<b><u>307,346</u></b>	<b><u>1,230,903</u></b>
<b>Fund Balances:</b>						
<b>Reserved for:</b>						
Unemployment benefits	-	-	-	-	44,856	44,856
Forestry improvements purposes	-	-	-	-	375,895	375,895
Permanent Fund purposes	-	-	-	-	309,305	309,305
Capital improvements	-	-	-	-	669,339	669,339
Debt Service	-	-	-	18,232	359,986	378,218
Inventory	-	6,394	-	-	-	6,394
Prepaid items	38,784	-	-	-	-	38,784
Advances	1,000	-	-	-	-	1,000
<b>Unreserved Undesignated, reported in:</b>						
General Fund	2,293,364	-	-	-	-	2,293,364
Special Revenue Funds	<u>-</u>	<u>166,863</u>	<u>-</u>	<u>-</u>	<u>842,368</u>	<u>1,009,231</u>
<b>Total Fund Balances</b>	<b><u>2,333,148</u></b>	<b><u>173,257</u></b>	<b><u>-</u></b>	<b><u>18,232</u></b>	<b><u>2,601,749</u></b>	<b><u>5,126,386</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 2,744,773</u></b>	<b><u>385,794</u></b>	<b><u>148,209</u></b>	<b><u>169,418</u></b>	<b><u>2,909,095</u></b>	<b><u>\$ 6,357,289</u></b>

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, 2007

	Amount
Total Fund Balance - Governmental Funds	\$ 5,126,386
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, net of accumulated depreciation of \$7,064,252	8,254,143
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(4,710,076)
3. Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Assets recognizes interest as it accrues.	(75,644)
4. Rounding	3
Total Net Assets - Governmental Activities	\$ 8,594,812

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, 2007

	Major Funds			Note Shortfall Fund	Other Governmental Funds	Total Governmental Funds
	General Fund	School Lunch Fund	Title I Fund			
Revenues:						
Local sources	\$ 4,151,158	30,631	2,189	135,792	520,322	\$ 4,840,092
State sources	7,169,465	5,227	-	-	879,108	8,053,800
Federal sources	91,147	996,104	843,456	-	812,404	2,743,111
Sixteenth section sources	-	-	-	-	412,528	412,528
Total Revenues	<u>11,411,770</u>	<u>1,031,962</u>	<u>845,645</u>	<u>135,792</u>	<u>2,624,362</u>	<u>16,049,531</u>
Expenditures:						
Instruction	7,106,842	-	401,342	-	1,290,310	8,798,494
Support services	4,325,362	90,932	327,498	-	592,831	5,336,623
Noninstructional services	6,432	849,339	91,925	-	46,095	993,791
Sixteenth section	-	-	-	-	10,416	10,416
Facilities acquisition and contribution	-	-	-	-	215,190	215,190
Debt service:						
Principal	118,462	-	-	176,409	640,000	934,871
Interest	20,538	-	-	16,744	144,353	181,635
Other	-	-	-	-	2,880	2,880
Total Expenditures	<u>11,577,636</u>	<u>940,271</u>	<u>820,765</u>	<u>193,153</u>	<u>2,942,075</u>	<u>16,473,900</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(165,866)</u>	<u>91,691</u>	<u>24,880</u>	<u>(57,361)</u>	<u>(317,713)</u>	<u>(424,369)</u>
Other Financing Sources (Uses):						
Proceeds from loans	251,527	-	-	-	-	251,527
Payment held by Escrow Agent	-	-	-	-	72,501	72,501
Sale of other property	1,045	-	-	-	-	1,045
Operating transfers in	600,718	-	-	-	348,000	948,718
Operating transfers out	(847,996)	(70,000)	(24,880)	-	(5,842)	(948,718)
Payment to Qualified Zone Academy Debt Escrow Agent	(17,908)	-	-	-	(54,593)	(72,501)
Total Other Financing Sources (Uses)	<u>(12,614)</u>	<u>(70,000)</u>	<u>(24,880)</u>	<u>-</u>	<u>360,066</u>	<u>252,572</u>
Net Change in Fund Balances	<u>(178,480)</u>	<u>21,691</u>	<u>-</u>	<u>(57,361)</u>	<u>42,353</u>	<u>(171,797)</u>
Fund Balances:						
July 1, 2006	2,603,120	149,549	-	75,593	2,553,210	5,381,472
Prior period adjustments	(91,492)	-	-	-	6,186	(85,306)
July 1, 2006, as restated	<u>2,511,628</u>	<u>149,549</u>	<u>-</u>	<u>75,593</u>	<u>2,559,396</u>	<u>5,296,166</u>
(Decrease) increase in reserve for inventory	-	2,017	-	-	-	2,017
June 30, 2007	<u>\$ 2,333,148</u>	<u>173,257</u>	<u>-</u>	<u>18,232</u>	<u>2,601,749</u>	<u>\$ 5,126,386</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, 2007

	Amount
Net Change in Fund Balances - Governmental Funds	\$ (171,797)
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 \$265,190 and the depreciation expense amounted to \$378,220.	(113,030)
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.	(251,527)
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.	934,871
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.	(12,484)
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.	(29,924)
5. 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.	2,017
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	(8,450)
6. Rounding	3
Change in Net Assets of Governmental Activities	\$ 349,679

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

CLAIBORNE COUNTY SCHOOL DISTRICT  
Statement of Fiduciary Net Assets  
June 30, 2007

	Agency Funds
<b>Assets</b>	
Cash and cash equivalents	\$ 469,660
Due from other governments	9,592
Due from other funds	359,805
Total Assets	\$ 839,057
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 597,549
Due to other funds	219,549
Advances from other funds	1,000
Due to student clubs	20,959
Total Liabilities	\$ 839,057

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, 2007

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 to which each member was elected by the citizens of each defined county district.

B. Basis of Presentation

The school district's basic financial statements 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. 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, 2007

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.

School Lunch Fund - This fund is used to account for food distribution (CFDA #10.550), the school breakfast program (CFDA #10.553) and the national school lunch program (CFDA #10.555).

Title I Fund - This fund is used to account for the revenues and expenditures for programs designed to help participating children meet the State's performance standards expected of all children (CFDA #84.010).

Note Shortfall Fund - This fund is used to account for the revenues and expenditures (debt service) of the shortfall notes received by the district.

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.

CLAIBORNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2007

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.

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.

CLAIBORNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2007

H. Inventories and Prepaid Items

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

The 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 government-wide and governmental 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
Building improvements	25,000	20 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
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 5 for details.

CLAIBORNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2007

K. Interfund Transactions and Balances

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

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

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

Interfund receivables and payable between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 3 for details for interfund transactions, including receivables and payables at year-end.

L. Equity Classifications

*Government-wide Financial Statements:*

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

1. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, constructions or improvement of those assets.
2. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets - All other 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:

CLAIBORNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2007

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.

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.

CLAIBORNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2007

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 the compensated absence liability payable from expendable available financial resources only if the payable has matured, for example an employee retires.

NOTE 2 - CASH AND CASH EQUIVALENTS, CASH WITH FISCAL

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

**Deposits.** The school board must advertise and accept bids for depositories no less than once every three years as require 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 Depository Insurance Corporation.

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$4,892,318 and \$469,660, respectively. The carrying amount of deposits reported in the government-wide financial statements was: Cash and Cash Equivalents - \$4,584,348 and Restricted Assets - \$496,169. 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 the district's programs. The bank balance was \$5,655,278.

*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 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, 2007, none of the district's bank balance of \$5,655,278 was exposed to custodial credit risk.

CLAIBORNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2007

Cash with Fiscal Agents

The carrying amount of the school district's cash with fiscal agents held by financial institutions was \$188,200.

NOTE 3 - INTERFUND TRANSACTIONS AND BALANCES

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

	<u>Due From</u>	<u>Due to</u>
Governmental Funds:		
General Fund	\$ 593,911	\$ 323,844
School Lunch Fund	56,506	208,527
Title I Fund	15,992	139,142
Note Shortfall Fund	-	75,593
Other governmental funds	95,208	154,767
Fiduciary Funds	<u>359,805</u>	<u>219,549</u>
Total	<u>\$ 1,121,422</u>	<u>\$ 1,121,422</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

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

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	\$ 600,718	\$ 847,996
School Lunch Fund	-	70,000
Title I Fun	-	24,880
Other governmental funds	<u>348,000</u>	<u>5,842</u>
Total	<u>\$ 948,718</u>	<u>\$ 948,718</u>

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

CLAIBORNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2007

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2006	Additions	Retirements	Completed Construction	Adjustments	Balance June 30, 2007
<u>Non-depreciable Capital Assets:</u>						
Land	\$ 473,980	-	-	-	-	\$ 473,980
Total non-depreciable capital assets	<u>473,980</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>473,980</u>
<u>Depreciable capital assets:</u>						
Buildings	11,858,760	-	-	-	-	11,858,760
Building improvements	-	215,190	-	-	-	215,190
Mobile equipment	1,811,147	50,000	(283,950)	-	-	1,577,197
Furniture and equipment	707,768	-	-	-	-	707,768
Leased property under capital lease	<u>485,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>485,500</u>
Total depreciable capital assets	<u>14,863,175</u>	<u>265,190</u>	<u>(283,950)</u>	<u>-</u>	<u>-</u>	<u>14,844,415</u>
<u>Less accumulated depreciation for:</u>						
Buildings	5,061,569	161,759	-	-	-	5,223,328
Building improvements	-	8,608	-	-	-	8,608
Mobile equipment	1,356,290	83,879	(254,026)	-	-	1,186,143
Furniture and equipment	434,819	80,284	-	-	-	515,103
Leased property under capital lease	<u>87,380</u>	<u>43,690</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>131,070</u>
Total accumulated depreciation	<u>6,940,058</u>	<u>378,220</u>	<u>(254,026)</u>	<u>-</u>	<u>-</u>	<u>7,064,252</u>
Total depreciable capital assets, net	<u>7,923,117</u>	<u>(113,030)</u>	<u>(29,924)</u>	<u>-</u>	<u>-</u>	<u>7,780,163</u>
Governmental activities capital assets, net	<u>\$ 8,397,097</u>	<u>(113,030)</u>	<u>(29,924)</u>	<u>-</u>	<u>-</u>	<u>\$ 8,254,143</u>

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 161,759
Support services	191,687
Non-instructional	<u>24,774</u>
Total depreciation expense	<u>\$ 378,220</u>

CLAIBORNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2007

NOTE 5 - LONG-TERM LIABILITIES

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

	Balance Jul. 1, 2006	Additions	Reductions	Balance June 30, 2007	Amounts due within one year
A. General obligation bonds payable	\$1,825,000	-	440,000	\$1,385,000	\$ 450,000
B. Limited obligation bonds payable	1,895,000	-	200,000	1,695,000	205,000
C. Obligations under capital lease	416,520	-	118,462	298,058	116,472
D. Shortfall note payable	249,124	251,527	176,409	324,242	151,161
E. Qualified zone academy bonds payable	900,000	-	-	900,000	-
F. Compensated absences payable	99,326	8,450	-	107,776	43,566
Total	<u>\$5,384,970</u>	<u>259,977</u>	<u>934,871</u>	<u>\$4,710,076</u>	<u>\$ 966,199</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	\$ 2,245,000	\$ 1,385,000
Total				<u>\$ 2,245,000</u>	<u>\$ 1,385,000</u>

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

Year Ending June 30	Principal	Interest	Total
2008	\$ 450,000	42,960	\$ 492,960
2009	460,000	29,460	489,460
2010	475,000	15,200	490,200
2011	-	-	-
Total	<u>\$ 1,385,000</u>	<u>87,620</u>	<u>\$ 1,472,620</u>

CLAIBORNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2007

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, 2007, the amount of outstanding bonded indebtedness was equal to 4% property assessments as of October 1, 2005. This debt will be retired from the 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 payments 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>1,695,000</u>
Total				\$ <u>2,660,000</u>	\$ <u>1,695,000</u>

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	205,000	78,829	283,829
2007	220,000	63,310	283,310
2008	225,000	57,296	282,296
2009	245,000	45,664	290,664
2010	255,000	33,289	288,289
2011 -2014	<u>545,000</u>	<u>27,349</u>	<u>572,349</u>
Total	\$ <u>1,695,000</u>	<u>305,737</u>	\$ <u>2,000,737</u>

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

CLAIBORNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2007

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 by the agreement.

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

Year Ending June 30	Principal	Interest	Total
2008	\$ 116,472	14,210	\$ 130,682
2009	116,435	8,246	124,681
2010	65,151	2,125	67,276
2011	-	-	-
Total	<u>\$ 298,058</u>	<u>24,581</u>	<u>\$ 322,639</u>

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

D. Shortfall Note Payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
2004 Tax shortfall Note	3.90%	06/16/04	06/16/07	\$ 116,858	\$ -
2005 Tax shortfall Note	4.25%	06/29/05	06/29/08	208,778	72,715
2006 Tax shortfall Note	6.00%	10/20/06	10/30/08	<u>251,527</u>	<u>251,527</u>
Total				<u>\$ 577,163</u>	<u>\$ 324,242</u>

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

Year Ending June 30	Principal	Interest	Total
2008	\$ 151,161	20,101	\$ 171,262
2009	83,703	11,702	95,405
2010	<u>89,378</u>	<u>6,026</u>	<u>95,404</u>
Total	<u>\$ 324,242</u>	<u>37,829</u>	<u>\$ 362,071</u>

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

CLAIBORNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2007

E. Qualified zone academy bonds payable.

As more fully explained in Note 11, debt has been issued by the school district that qualifies as Qualified Zone Academy bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified Zone Academy Bonds	0%	12/28/2005	12/28/2015	\$ <u>900,000</u>	\$ <u>900,000</u>
0%				\$ <u>900,000</u>	\$ <u>900,000</u>

This debt will be retired from the District Maintenance Fund.

F. 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 6 - DEFINED BENEFIT PENSION PLAN

**Plan Description.** The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public 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 current rate is 11.30% 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, 2007, 2006 and 2005 were \$1,044,850, \$875,413, and \$840,057, respectively, which equalled the required contributions for each year.

CLAIBORNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2007

NOTE 7 - 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.

<u>Year Ending June 30</u>	<u>Amount</u>
2008	\$ 147,426
2009	118,171
2010	65,179
2011	31,961
2012	645
2013 to 2017	<u>8,616</u>
	<u>\$ 371,998</u>

NOTE 8 - PRIOR PERIOD ADJUSTMENTS / EXHIBITS

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. \$ (85,306)

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	\$ (91,492)
Other governmental funds	<u>6,186</u>
Total	<u>\$ (85,306)</u>

CLAIBORNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2007

NOTE 9 - LITIGATION

The following cases were outstanding against the Claiborne County School District at June 30, 2007:

1. Shawn Claiborne and Lula Claiborne Individually and as Parents and Natural Guardian of Shaun Barnes, a minor v. Claiborne County School District

This is an action pending in Circuit court of Claiborne County, Mississippi where personal injuries were allegedly sustained as a result of being struck by another student with a brick. The school district's insurance carrier denied coverage. Sanders Law Firm filed an Answer and Cross Claim against the insurance carrier on behalf of the school district January 30, 2007, A bench trial was set for May, 2007.

2. Denise Sims v. Claiborne County School District

This is an action pending where personal injuries were allegedly sustained as a result of a slip and fall incident on or around September, 2006. The purported fall occurred as a result of the failure to properly maintain the stands during an event at the high school. The matter is being handled by the School District's insurance carrier.

3. Katrice Thompson, as Mother and next Friend of Kashira Thompson Monore v. Joyce Weddington and the Claiborne County Public School District

This is an action pending in the Circuit Court of Claiborne county, Mississippi where personal injuries were sustained as a result of a student's attempt to snatch a pencil, causing a facial laceration to the Plaintiff's child. The complaint also alleges that the teacher failed to report the incident or seek medical attention for the child. An Answer and Cross Claim was filed January 30, 2007, on behalf of the school district.

NOTE 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. 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 121 school districts and one community college and covers risks of loss arising from injuries to the member'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 BancorpSouth Bank in Jackson. The funds in the trust account are used to pay any claim up to \$700,000. For a claim exceeding \$700,000, MSBAWCT has insurance which will pay the excess of the statutory amount required by the Mississippi Workers Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

CLAIBORNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2007

NOTE 11 - QUALIFIED ZONE ACADEMY BONDS

Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34) provides for a source of capital at no or nominal interest for costs incurred by certain public schools in connection with the establishment of special academic programs from kindergarten through secondary school, in partnership with the business community. The school district, in agreement with Trustmark National Bank, has entered into such an arrangement dated December 28, 2005.

This agreement establishes a method of repayment for a qualified interest-free debt instrument. The agreement requires the school district to deposit funds annually into a sinking fund account on or before December 14. The amount accumulated in the sinking fund at the end of the ten-year period will be sufficient to retire the debt. The following schedule reports the yearly deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2008	\$ 73,245
2009	73,245
2010	73,245
2011	73,245
2012	73,245
2013 - 2017	<u>292,980</u>
Total	<u>\$ 659,205</u>

CLAIBORNE COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTAL INFORMATION

CLAIBORNE COUNTY SCHOOL DISTRICT  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 4,488,843	4,509,620	4,151,158	20,777	\$ (358,462)
State sources	7,155,501	7,147,328	7,169,465	(8,173)	22,137
Federal sources	79,973	116,159	91,147	36,186	(25,012)
Total Revenues	<u>11,724,317</u>	<u>11,773,107</u>	<u>11,411,770</u>	<u>48,790</u>	<u>(361,337)</u>
Expenditures:					
Instruction	7,126,264	7,197,911	7,106,842	(71,647)	91,069
Support services	4,473,623	4,371,546	4,325,362	102,077	46,184
Noninstructional services	11,533	11,056	6,432	477	4,624
Debt service:					
Principal	103,621	118,000	118,462	(14,379)	(462)
Interest	22,654	18,000	20,538	4,654	(2,538)
Other	18,002	-	-	18,002	-
Total Expenditures	<u>11,755,697</u>	<u>11,716,513</u>	<u>11,577,636</u>	<u>39,184</u>	<u>138,877</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(31,380)</u>	<u>56,594</u>	<u>(165,866)</u>	<u>87,974</u>	<u>(222,460)</u>
Other Financing Sources (Uses):					
Proceeds from loans	-	251,527	251,527	251,527	-
Sale of other property	-	1,045	1,045	1,045	-
Operating transfers in	333,081	619,186	600,718	286,105	(18,468)
Operating transfers out	(540,091)	(850,723)	(847,996)	(310,632)	2,727
Payment to Qualified Zone Academy Debt Escrow	-	(17,908)	(17,908)	(17,908)	-
Agent Total Other Financing Sources (Uses)	<u>(207,010)</u>	<u>3,127</u>	<u>(12,614)</u>	<u>210,137</u>	<u>(15,741)</u>
Net Change in Fund Balances	<u>(238,390)</u>	<u>59,721</u>	<u>(178,480)</u>	<u>298,111</u>	<u>(238,201)</u>
Fund Balances:					
July 1, 2006, as restated	<u>264,800</u>	<u>2,587,426</u>	<u>2,603,120</u>	<u>2,322,626</u>	<u>15,694</u>
Prior period adjustments	<u>-</u>	<u>1,785</u>	<u>(91,492)</u>	<u>1,785</u>	<u>(93,277)</u>
June 30, 2007	<u>\$ 26,410</u>	<u>2,648,932</u>	<u>2,333,148</u>	<u>2,622,522</u>	<u>\$ (315,784)</u>

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

CLAIBORNE COUNTY SCHOOL DISTRICT  
 Budgetary Comparison Schedule  
 School Lunch Fund  
 For the Year Ended June 30, 2007

	Original	Final	Actual (GAAP Basis)	Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 35,500	30,631	30,631	(4,869)	\$ -
State sources	5,500	5,227	5,227	(273)	-
Federal sources	<u>1,011,837</u>	<u>940,312</u>	<u>996,104</u>	<u>(71,525)</u>	<u>55,792</u>
Total Revenues	<u>1,052,837</u>	<u>976,170</u>	<u>1,031,962</u>	<u>(76,667)</u>	<u>55,792</u>
<b>Expenditures:</b>					
Support services	104,282	92,665	90,932	11,617	1,733
Noninstructional services	<u>873,023</u>	<u>798,596</u>	<u>849,339</u>	<u>74,427</u>	<u>(50,743)</u>
Total Expenditures	<u>977,305</u>	<u>891,261</u>	<u>940,271</u>	<u>86,044</u>	<u>(49,010)</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>					
	<u>75,532</u>	<u>84,909</u>	<u>91,691</u>	<u>9,377</u>	<u>6,782</u>
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	<u>(75,532)</u>	<u>(75,532)</u>	<u>(70,000)</u>	-	<u>5,532</u>
Total Other Financing Sources (Uses)	<u>(75,532)</u>	<u>(75,532)</u>	<u>(70,000)</u>	-	<u>5,532</u>
<b>Net Change in Fund Balances</b>					
	<u>-</u>	<u>9,377</u>	<u>21,691</u>	<u>9,377</u>	<u>12,314</u>
<b>Fund Balances:</b>					
July 1, 2006	<u>-</u>	<u>149,549</u>	<u>149,549</u>	<u>149,549</u>	<u>-</u>
(Decrease) increase in reserve for inventory	<u>-</u>	<u>-</u>	<u>2,017</u>	<u>-</u>	<u>2,017</u>
June 30, 2007	<u>\$ -</u>	<u>158,926</u>	<u>173,257</u>	<u>158,926</u>	<u>\$ 14,331</u>

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

CLAIBORNE COUNTY SCHOOL DISTRICT  
 Budgetary Comparison Schedule  
 Title I Fund  
 For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ -	2,189	2,189	2,189	\$ -
State sources	-	-	-	-	-
Federal sources	<u>840,108</u>	<u>720,991</u>	<u>843,456</u>	<u>(119,117)</u>	<u>122,465</u>
Total Revenues	<u>840,108</u>	<u>723,180</u>	<u>845,645</u>	<u>(116,928)</u>	<u>122,465</u>
Expenditures:					
Instruction	391,827	402,320	401,342	(10,493)	978
Support services	329,561	329,678	327,498	(117)	2,180
Noninstructional services	<u>93,455</u>	<u>91,899</u>	<u>91,925</u>	<u>1,556</u>	<u>(26)</u>
Total Expenditures	<u>814,843</u>	<u>823,897</u>	<u>820,765</u>	<u>(9,054)</u>	<u>3,132</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>25,265</u>	<u>(100,717)</u>	<u>24,880</u>	<u>(125,982)</u>	<u>125,597</u>
Other Financing Sources (Uses):					
Operating transfers out	<u>(25,265)</u>	<u>(25,265)</u>	<u>(24,880)</u>	<u>-</u>	<u>385</u>
Total Other Financing Sources (Uses)	<u>(25,265)</u>	<u>(25,265)</u>	<u>(24,880)</u>	<u>-</u>	<u>385</u>
Net Change in Fund Balances	<u>-</u>	<u>(125,982)</u>	<u>-</u>	<u>(125,982)</u>	<u>125,982</u>
Fund Balances:					
July 1, 2006, as restated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
June 30, 2007	<u>\$ -</u>	<u>(125,982)</u>	<u>-</u>	<u>(125,982)</u>	<u>\$ 125,982</u>

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

CLAIBORNE COUNTY SCHOOL DISTRICT  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2007

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

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

CLAIBORNE COUNTY SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

CLAIBORNE COUNTY SCHOOL DISTRICT  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2007

<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>55,792</u>
Child Nutrition Cluster		
School Breakfast Program	10.553	296,490
National School Lunch Program	10.555	643,822
Summer Food Service Program for Children	10.559	<u>49,420</u>
Total Child Nutrition Cluster		<u>989,732</u>
Child and Adult Care Food Program	10.558	<u>3,384</u>
Total U.S. Department of Agriculture		<u>1,048,908</u>
 <u>U. S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	843,456
Vocational education - basic grants to states	84.048	30,581
Safe and drug-free schools and communities - state grants	84.186	18,453
Education technology state grants	84.318	3,997
Improving Teacher Quality - state grants	84.367	208,232
Comprehensive school reform demonstration	84.332	1,864
State grants for innovative programs	84.298	8,351
Rural education	84.358	<u>21,973</u>
Total		<u>1,136,907</u>

CLAIBORNE COUNTY SCHOOL DISTRICT  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2007

<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	\$ 461,082
Special education - preschool grants	84.173	<u>5,040</u>
Total		<u>466,122</u>
Total passed-through Mississippi Department of Education		<u>1,603,029</u>
Total U.S. Department of Education		<u>1,603,029</u>
U. S. Department of Defense		
Direct Program:		
Reserve Officer Training Program	12.XXX	<u>61,030</u>
Total U. S. Department of Defense		<u>61,030</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>30,117</u>
Total Federal Communications Commission		<u>30,117</u>
Total for All Federal Awards		<u>\$ 2,743,084</u>

CLAIBORNE COUNTY SCHOOL DISTRICT  
Schedule of Expenditures of Federal Awards  
Notes to Schedule  
For the Year Ended June 30, 2007

Notes to Schedule

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements.
2. The expenditure amounts include transfers out.
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, 2007

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 12,322,255	9,203,066	656,271	650,733	\$ 1,812,185
Other	<u>4,151,645</u>	<u>909,244</u>	<u>261,383</u>	<u>12,954</u>	<u>2,968,064</u>
Total	<u>\$ 16,473,900</u>	<u>10,112,310</u>	<u>917,654</u>	<u>663,687</u>	<u>\$ 4,780,249</u>
Total number of students*	1,872				
Cost per student	\$ 8,800	\$ 5,402	\$ 490	355	\$ 2,554

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

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

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

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

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

CLAIBORNE COUNTY SCHOOL DISTRICT

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



**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, 2007, which collectively comprise the Claiborne County School District's basic financial statements and have issued our report thereon dated January 26, 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 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 certain deficiencies in the internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Findings 2007-1 through 2007-3 to be significant deficiencies 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 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 disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider Finding 2007-2 to be 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 or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the school district in a separate letter dated January 26, 2009, which is included in this report.

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.*

January 26, 2009



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, 2007. 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, 2007.

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

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

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, 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.

*Bent, Faily, White & CC*

January 26, 2009



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, 2007, which collectively comprise the Claiborne County School District's basic financial statements, and have issued our report thereon dated January 26, 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.

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(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 \$120,656 of class room 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 37-9-61-33(a)(iii), 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 disclosed the following immaterial instances of noncompliance with other state laws and regulations. Our findings and recommendations and your responses are as follows:

1. Finding

Surety bonds for a board member and a principal were not recorded and on file in the Chancery Clerk's Office as required by Section 25-1-19, Miss Code Ann. (1972).

Recommendation

The district should comply with section 25-9-19, Miss. Code Ann. (1972), which requires bonds to be recorded and on file at the Chancery Clerk's Office.

School District's Response

The School District has consistently provided original surety bonds to the Chancery Clerk's office for recording and filing. However, there have been instances after the bonds have been presented that they could not be located in that office when sought. To alleviate that problem, we have developed a certification form to be completed by the Chancery Clerk, inclusive of filing book and page number for each bond, as recorded.

2. Finding

The district did not obtain at least two (2) written quotes for five out of 16 items tested. This is required by section 31-7-13, Miss. Code Ann. (1972).

Recommendation

The district should comply with Section 31-7-13, Miss. Code Ann. (1972).

School District's Response

The School District will continue to ensure adherence with Section 31-7-13, Miss. Code Ann. (1972). A form will be developed and used to certify that required quotes or bids have been secured and filed prior to the processing of purchase orders. Additionally, all quotes are now being presented to the Board of Education with the best quote being recommended for the Board's final decision.

3. Finding

The district did not allocate (share) expendable revenues with other school districts as required by Section 29-3-119, Miss. Code Ann. (1972).

Recommendation

The district should comply with Section 29-3-119, Miss. Code Ann. (1972), which requires that in cases where a township is occupied by two or more school districts, the expendable/nonexpendable revenues shall be shared with/from the other districts.

School District's Response

The School District will comply with Section 29-3-119, Miss. Code Ann. (1972), with regard to sharing of expendable/nonexpendable revenues. A form will be developed and utilized to ensure that incoming revenue is identified as shared revenues and is allocated appropriately. The sixteenth section book-keeper will certify receipt and appropriate allocation. The business manager will verify that appropriate allocations have been made.

4. Finding

According to Section 29-3-747, Miss. Code Ann. (1972), which requires fifteen percent (15%) of all receipts from the sales of forest products shall be placed by the board in a forestry escrow fund. The district placed 100% of the sale of forest products in the forestry escrow fund.

Recommendation

The district should comply with Section 29-3-47, Miss. Code Ann. (1972), which requires fifteen percent (15%) of all receipts from the sales of forest products shall be placed by the board in a forestry escrow fund.

School District's Response

The School District shall comply with Section 29-3-47, Miss. Code. Ann. (1972) which requires fifteen percent (15%) of all receipts from the sale of forestry products shall be placed by the board in a forestry escrow fund. To ensure compliance, a calculation form shall be developed, utilized and verified by the business manager prior to the deposit of funds.

The Office of the State Auditor or a public accounting firm will review, on the subsequent year's audit engagement, the findings in this report to insure that corrective actions have been taken.

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.

*Barr, Family, White & Co.*

January 26, 2009

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, 2007

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.                              | None        |
| 3. | Internal control over financial reporting:  |             |
|    | a. Material weaknesses identified?  | Yes         |
|    | b. Significant deficiencies 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 weaknesses identified?   | No          |
|     | b. Significant deficiencies identified that are not considered to be material weaknesses?  | No          |
| 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  |             |
|     | c. Cluster: Special Education<br>CFDA #84.027<br>CFDA #84.173  |             |
| 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? | No          |

CLAIBORNE COUNTY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2007

Section 2: Findings Relating to the Financial Statements

2007-1 Finding

Significant deficiencies not considered a material weakness.

Claiborne County School District paid certified employees (exempt) salaries in accordance with their contract agreements and non-certified employees in accordance with the approved budget, however, the School Districts' board minutes did not reflect in detail, salaries and pay rate approved for the FY 2006/2007 school year.

Cause

The current year salaries and pay rates were not reflected in approved board minutes.

Effect

Inadequate internal control over payroll.

Criteria

State of Mississippi Financial Accounting Manual for Mississippi Public School Districts and Section 37-9-37 Mississippi Code Ann (1972).

Recommendation

The salaries of all certified and non-certified employees should be approved by the board and reflected in the board minutes.

2007-2 Finding

Significant deficiencies considered a material weakness.

Our test of Claiborne County School District's Activity/club fund receipts revealed the following:

- a. Bank deposits were not being made in a timely manner
- b. Receipts were not prepared for all activity funds received.
- c. Some receipts for funds were written days or months after the deposit of funds in the bank
- d. Athletic fund receipts did not agree with the amount of pre-numbered tickets sold for two foot ball games.

Cause

Internal administrative control procedures have not been implemented to ensure the safe guard of activities of student club funds.

Effect

Weakness in administrative control procedures over student club funds.

Criteria

State of Mississippi Financial Accounting Manual for Mississippi Public School Districts "Section F" Activity Funds.

Recommendation

The district should implement policies and procedures to correct the weaknesses stated above. Guidance can be found in the Financial Accounting Manual for Mississippi Public School Districts.

2007-3 Finding

Significant deficiencies not considered a material weakness.

The district did not complete the Certification Acknowledgment of Re-employment of Retiree (Form 28-4.4) with PERS for a re-employed retiree in accordance with state compliance requirements.

Cause

The district did not complete the Certification Acknowledgement of Re-employment of Retiree (Form 4B) with PERS for one re-employed retiree.

Effect

A Certification Acknowledgment of Re-employment of Retiree (Form 4B) was not filed by the district.

Criteria

Section 25-11-127 Mississippi Code Ann. (1972) which addresses re-employment of PERS retirees by an entity covered under the PERS System.

Recommendation

The district should complete Form 4B and file the form with PERS to verify that re-employed retirees were not paid more than allowed in accordance with State Compliance Section 25-11-127 Mississippi Code Ann. (1972).

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.

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section \_\_\_\_\_.315(c) of OMB Circular A-133, the Claiborne County 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, 2007:



# Claiborne County School District

Annie Kilcrease, Ph.D., Superintendent

## Office of Business and Finance

Wanda C. Fleming, MBA, Business Manager  
404 Market Street ~ Port Gibson, MS 39150  
Ph: (601) 437-4232 ~ Fax: (601) 437-4409  
wfleming@claiborne.k12.ms.us

**Board of Education:**  
Janice Gray, President  
Josie McClorine, Vice-President  
Adell Watts, Secretary  
Johnny Brown, Member  
Addie Harvey, Member

28 July 2008

Mr. Kaiser Brown, CPA, Partner  
Banks, Finley, White & Company  
308 Highland Park Cove  
Ridgeland, MS 39157

RE: Responses to findings relating to the financial statements

Dear Mr. Brown:

Please find below responses to findings below:

2007-01

### Finding

Claiborne County School District paid certified employees (exempt) salaries in accordance with their contract agreements and non-certified employees in accordance with the approved budget, however, the School District's board minutes did not reflect in detail, salaries and pay rates approved for the FY 2006/2007 school year.

### Recommendation

The salaries of all certified and non-certified employees should be approved by the board and reflected in the board minutes.

### Response

Salaries of all employees, certified and non-certified, have consistently been approved by the Board of Trustees annually. The minutes reflect that all employees (certified and classified) were recommended to and approved by the board by stating "Requesting approval of all noncertified staff at annualized pay." The list of each group was include din the board request under the appendix of the Board Information Pack.

2007-02

### Finding

Test of Activity/club fund receipts revealed that bank deposits were not being made in a timely manner. Receipts were not prepared for all activity funds received. Some receipts were written days or months after the deposit of funds.

Activity fund receipts did not agree with the amount of pre-numbered tickets sold for two football games.

Recommendation

Policies and procedures should be implemented to correct cited weaknesses.

Response

Guidelines provided in the Financial Accounting Manual for Mississippi Public School Districts are stated in current District policy. The school district will monitor receipts daily to ensure that these policies and procedures are carefully and consistently followed.

2007-03

Finding

The district did not complete the Certificate Acknowledgement of Retiree (Form 4B) with PERS for one re-employed retiree.

Recommendation

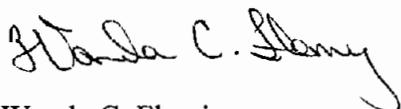
The district should complete Form 4B and file the form with PERS to verify that re-employed retirees were not paid more than allowed in accordance with State Compliance Section 25-11-127

Response

Te ensure compliance, Form 4B will be completed and filed with PERS prior to adding any re-employed retirees to the District payroll.

Thank you.

Sincerely,



Wanda C. Fleming  
Business Manager

Cc Dr. Annie Kilcrease, Superintendent

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

There were no prior year findings.