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**CLAY COUNTY SCHOOL DISTRICT**  
**FINANCIAL AUDIT REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**CLAY COUNTY SCHOOL DISTRICT**  
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**JUNE 30, 2008**

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**INDEPENDENT AUDITORS' REPORT  
ON THE BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION**

Superintendent and School Board  
Clay 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 Clay County School District as of and for the year ended June 30, 2008, which collectively comprise the Clay County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Clay 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 Clay County School District, as of June 30, 2008, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2009, on our consideration of the Clay 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 6 through 13 and the Budgetary Comparison Schedule and corresponding notes on pages 39 through 42 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 inquires 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 Clay 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.

The other supplemental information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances, General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances, All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Tupelo, Mississippi  
March 5, 2009

A handwritten signature in cursive script that reads "J. E. Vance & Company". The signature is written in dark ink and is positioned to the right of the typed text.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CLAY COUNTY SCHOOL DISTRICT  
MANAGAMENT'S DICUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008**

The discussion and analysis of Clay County School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

**FINANCIAL HIGHLIGHTS**

- Total net assets increased \$244,713, which represents a 8.6% increase from fiscal year 2007.
- General revenues account for \$1,909,067 in revenue, or 69% all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$865,391 or 31% of total revenues.
- The District had \$2,516,929 in expenses; only \$865,391 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$1,909,067 were adequate to provide for these programs.
- Among major funds, the General Fund had \$1,895,548 in revenues, \$40,703 in other financing sources, \$1,585,065 in expenditures, and \$78,090 in other financing uses. The General Fund's fund balance increased by \$273,096 over the prior year.
- Capital assets, net of accumulated depreciation, decreased by \$26,219.

**OVERVIEW OF FINANCIAL STATEMENTS**

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

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

The statement of net assets presents information on all the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net

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 and interest on long-term liabilities.

The government-wide financial statements can be found on pages 15 - 16 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 18 and 20, respectively.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts* issued by the Mississippi Department of Education. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and

changes in fund balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

The basic governmental fund financial statements can be found on pages 17 and 19 of this report.

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

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22 - 38 of this report.

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major special revenue fund. This required supplementary information can be found on pages 39 - 42 of this report.

A schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on page 44 of this report.

The Mississippi Department of Education requires certain other information. A Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds can be found on page 45 of this report. A Statement of Revenues, Expenditures and Changes in Fund Balance General Fund – Last Four Years can be found on page 47. A Statement of Revenues, Expenditures and Changes in Fund Balance All Governmental Funds – Last Four Years can be found on page 48.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net assets.** Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$3,090,431 as of June 30, 2008.

The District's financial position is a product of several financial transactions including the net result of activities, the payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

Table 1 presents a summary of the District's net assets for the fiscal year ended June 30, 2008 compared to 2007.

TABLE 1  
CONDENSED STATEMENT OF NET ASSETS

	<u>2008</u>	<u>2007</u>	<u>% Change</u>
Current assets	\$ 2,647,093	\$ 2,381,977	11.1%
Other assets	45,098	45,098	0.0%
Capital assets, net	406,046	432,265	-6.1%
Total assets	<u>3,098,237</u>	<u>2,859,340</u>	8.4%
Current liabilities	-0-	5,805	-100.0%
Long-term debt outstanding	7,806	7,817	-0.1%
Total liabilities	<u>7,806</u>	<u>13,622</u>	-42.7%
Net assets:			
Invested in capital assets, net of related debt	406,046	432,265	-6.1%
Restricted	100,891	100,971	-0.1%
Unrestricted	2,583,494	2,312,482	11.7%
Total net assets	<u>\$ 3,090,431</u>	<u>\$ 2,845,718</u>	8.6%

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

**Changes in net assets.** The District's total revenues for the fiscal year ended June 20, 2008 were \$2,774,458. The total cost of all programs and services was \$2,516,929 for 2008.

Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2008 compared to 2007.

TABLE 2  
CHANGES IN NET ASSETS

	Change in Net Assets		Percentage Change
	2008	2007	
<b>Revenues:</b>			
Program revenues			
Charges for services	\$ 14,090	\$ 34,204	-58.8%
Operating grants and contributions	836,289	956,292	-12.5%
Capital grants and contributions	15,012	15,012	0.0%
General revenues			
Property taxes	723,991	712,448	1.6%
Grants and contributions not restricted	1,021,926	981,907	4.1%
Other	163,150	230,176	-29.1%
<b>Total revenues</b>	<u>2,774,458</u>	<u>2,930,039</u>	-5.3%
<b>Expenses:</b>			
Instruction	1,055,400	1,094,643	-3.6%
Support services	1,343,493	1,383,224	-2.9%
Non-instructional	118,036	118,428	-0.3%
Sixteenth Section	-0-	3,042	-100.0%
<b>Total expenses</b>	<u>2,516,929</u>	<u>2,599,337</u>	-3.2%
<b>Increase (decrease) in net assets</b>	257,529	330,702	-22.1%
<b>Net Assets, July 1</b>	2,845,718	2,515,016	13.1%
<b>Prior Period Adjustments</b>	(12,816)	-0-	-100.0%
<b>Net Assets, Restated, July 1</b>	<u>2,832,902</u>	<u>2,515,016</u>	12.6%
<b>Net Assets, June 30</b>	\$ <u>3,090,431</u>	\$ <u>2,845,718</u>	8.6%

**Governmental activities.** The following table presents the cost of four major District functional activities: instruction, support services, non-instructional, and Sixteenth Section. 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.

TABLE 3  
FUNCTIONAL EXPENSES

	2008		2007	
	Total Expenses	Net (Expense) Revenue	Total Expenses	Net (Expense) Revenue
Instruction	\$ 1,055,400	\$ (642,178)	\$ 1,094,643	\$ (634,520)
Support services	1,343,493	(985,218)	1,383,224	(957,376)
Non-instructional	118,036	(24,142)	118,428	(15,838)
Sixteenth section	-0-	-0-	3,042	13,905
Total expenses	<u>\$ 2,516,929</u>	<u>\$ (1,651,538)</u>	<u>\$ 2,599,337</u>	<u>\$ (1,593,829)</u>

- Net cost of governmental activities (\$1,651,538) was financed by general revenue, which is made up primarily of property taxes (\$723,991) and state revenue (\$1,004,235).
- Investment earnings accounted for \$132,218 for 2008.

**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 \$2,692,191 for 2008, an increase of \$270,921 from 2007. \$2,610,769 or 97.0% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$81,422 or 3.0% is reserved or designated to indicate that it is not available for spending because it has already been committed. The areas of commitment are as follows:

	2008
Inventory	\$ 5,821
Prepaid Items	9,687
Unemployment Benefits	12,108
Forestry Improvements	8,708
Permanent Fund Investment Purposes	45,098
Total reserved net assets	<u>\$ 81,422</u>

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund was \$273,096 for 2008. The fund balance of Other Governmental Funds showed a decrease of \$2,175 for 2008.

## **BUDGETARY HIGHLIGHTS**

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

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

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** The District's total capital assets, before depreciation, were \$1,177,533 for 2008, including school buildings, buses, other school vehicles and furniture and equipment. This amount represents a decrease of \$85,070 from 2007. Total accumulated depreciation was \$771,487 for 2008. Total depreciation expense was \$56,493 for 2008 resulting in total net assets of \$406,046.

Additional information of the District's capital assets can be found in Note 4 on page 33 of this report.

**Debt Administration.** At June 30, 2008, the District had \$7,806 in long-term debt outstanding, of which none is due within one year.

The District maintains a AAA bond rating.

Additional information of the District's long-term debt can be found in Note 5 on page 34 of this report.

## **CURRENT ISSUES**

The Clay 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 District's system of financial planning, budgeting and internal financial controls is 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 Clay County School District, P.O. Box 759, West Point, Mississippi 39773.

**FINANCIAL STATEMENTS**

**CLAY COUNTY SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2008**

**EXHIBIT A**

		<u>Governmental Activities</u>
<b>Assets</b>		
Cash and cash equivalents (Note 2)	\$	2,596,825
Due from other governments		34,760
Inventories and prepaid items		15,508
Restricted assets		45,098
Capital assets, not being depreciated (Note 4):		
Land		11,040
Construction in Progress		43,090
Capital assets, net of accumulated depreciation (Note 4):		
Buildings		95,384
Mobile equipment		215,491
Furniture and equipment		<u>41,041</u>
Total Assets	\$	<u>3,098,237</u>
<b>Liabilities</b>		
Long-term liabilities, due beyond one year (Note 5)		
Non-capital related liabilities		<u>7,806</u>
Total Liabilities	\$	<u>7,806</u>
<b>Net Assets</b>		
Investment in capital assets, net of related debt	\$	406,046
Restricted net assets:		
Expendable:		
School - based activities - inventory		5,821
Unemployment benefits		12,108
Forestry improvements		8,708
Nonexpendable:		
Sixteenth Section		45,098
Unrestricted		<u>2,612,650</u>
Total Net Assets	\$	<u><u>3,090,431</u></u>

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

**CLAY COUNTY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2008**

**EXHIBIT B**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental Activities:					
Instruction	\$ 1,055,400	2,690	410,532		(642,178)
Support services	1,343,493		343,263	15,012	(985,218)
Non-instructional	118,036	11,400	82,494		(24,142)
Total governmental activities	\$ 2,516,929	14,090	836,289	15,012	(1,651,538)
General Revenues:					
Taxes:					
					723,991
Unrestricted grants and contributions:					
					1,004,235
					17,691
					132,218
					10,504
					20,428
					1,909,067
Change in Net Assets					
					257,529
					2,845,718
					(12,816)
					2,832,902
					3,090,431

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

**CLAY COUNTY SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2008**

**EXHIBIT C**

	Major Funds			Total Governmental Funds
	General Fund	Enhancing Education E2T2 Fund	Other Governmental Funds	
<b>ASSETS</b>				
Cash and cash equivalents (Note 2)	\$ 2,550,732		91,191	2,641,923
Due from other governments	31,385	1,891	1,484	34,760
Due from other funds (Note 3)	1,891		300	2,191
Prepaid items	9,687			9,687
Inventories			5,821	5,821
<b>Total Assets</b>	<b>\$ 2,593,695</b>	<b>1,891</b>	<b>98,796</b>	<b>2,694,382</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Due to other funds (Note 3)	\$ 300	1,891		2,191
<b>Total Liabilities</b>	<b>300</b>	<b>1,891</b>	<b>-0-</b>	<b>2,191</b>
<b>Fund Balances:</b>				
<b>Reserved for:</b>				
Prepaid items	9,687			9,687
Unemployment benefits			12,108	12,108
Forestry improvements			8,708	8,708
Inventory			5,821	5,821
Permanent fund purposes			45,098	45,098
<b>Unreserved:</b>				
<b>Undesignated, reported in:</b>				
General fund	2,583,708			2,583,708
Special Revenue funds			27,061	27,061
<b>Total Fund Balances</b>	<b>2,593,395</b>	<b>-0-</b>	<b>98,796</b>	<b>2,692,191</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,593,695</b>	<b>1,891</b>	<b>98,796</b>	<b>2,694,382</b>

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

**CLAY COUNTY SCHOOL DISTRICT  
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS  
TO STATEMENT OF NET ASSETS  
JUNE 30, 2008**

**EXHIBIT C-1**

		<u>Amount</u>
Total Fund Balance - Governmental Funds	\$	2,692,191
Amounts reported for governmental activities in the statement of net assets are different because:		
1. Capital assets which are used in governmental activities are not resources and therefore are not reported in the funds, net of accumulated depreciation of \$771,487. (Note 4)		406,046
2. Long-term liabilities are not due and payable in the current period and and therefore are not reported in the funds. (Note 5)		<u>(7,806)</u>
Total Net Assets - Governmental Activities	\$	<u><u>3,090,431</u></u>

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

**CLAY COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**EXHIBIT D**

	Major Funds				Total Governmental Funds
	General Fund	Enhancing Education E2T2 Fund	Other Governmental Funds		
<b>Revenues:</b>					
Local sources	\$ 870,434		12,122		882,556
Intermediate sources	3,160				3,160
State sources	1,004,263		17,719		1,021,982
Federal sources	17,691	116,271	717,311		851,273
Sixteenth section sources			15,486		15,486
<b>Total Revenues</b>	<b>1,895,548</b>	<b>116,271</b>	<b>762,638</b>		<b>2,774,457</b>
<b>Expenditures:</b>					
Instruction	645,560		406,547		1,052,107
Support services	939,505	116,271	234,527		1,290,303
Noninstructional services			118,535		118,535
Facilities Acquisition			43,090		43,090
<b>Total Expenditures</b>	<b>1,585,065</b>	<b>116,271</b>	<b>802,699</b>		<b>2,504,035</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>310,483</b>	<b>-0-</b>	<b>(40,061)</b>		<b>270,422</b>
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	40,703		78,090		118,793
Operating transfers out	(78,090)		(40,703)		(118,793)
<b>Total Other Financing Sources (Uses)</b>	<b>(37,387)</b>	<b>-0-</b>	<b>37,387</b>		<b>-0-</b>
<b>Net Change in Fund Balances</b>	<b>273,096</b>	<b>-0-</b>	<b>(2,674)</b>		<b>270,422</b>
<b>Fund Balances:</b>					
July 1, 2007	2,320,299	-0-	100,971		2,421,270
Inc. (Dec.) in reserve for inventory			499		499
<b>June 30, 2008</b>	<b>\$ 2,593,395</b>	<b>-0-</b>	<b>98,796</b>		<b>2,692,191</b>

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

**CLAY COUNTY SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2008**

**EXHIBIT D-1**

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ 270,422
Amounts reported for governmental activities in the statement of activities are different because:	
1. Governmental funds report capital outlays as expenditures while activities report depreciation to allocate those expenditures governmental over the life of the assets. There were capital asset purchases in the amount of \$43,090 and the depreciation expense amounted to \$56,493 (Note 4)	(13,403)
2. Governmental funds do not recognize transactions that are not normally paid with expendable available resources. The statement of activities reports expenses and liabilities regardless of when financial resources are available. Compensated absences	11
3. Increase in the inventory is reported an an adjustgmt to fund balance in the governmental funds, but noninsutricional expenditures are decreased in the statement of activity.	499
Change in Net Assets of Governmental Activities	<u>\$ 257,529</u>

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

**CLAY COUNTY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
JUNE 30, 2008**

**EXHIBIT E**

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents (Note 2)	\$ <u>74,463</u>
Total Assets	\$ <u><u>74,463</u></u>
Liabilities	
Accounts payable and accrued liabilities	\$ <u>74,463</u>
Total Liabilities	\$ <u><u>74,463</u></u>

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

**CLAY COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**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**

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

**B. Basis of Presentation**

Government-wide Financial Statements

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

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

1. Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

**CLAY COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2008**

**Note 1: Summary of Significant Accounting Policies (Continued)**

**B. Basis of Presentation (Continued)**

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

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

Fund Financial Statements

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

The school district reports the following major governmental funds:

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

Enhancing Education E2T2 Fund - This is a special revenue fund that accounts for Enhancing Technology Funds allotted to the school district to be used for technology purposes.

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

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

**CLAY COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2008**

**Note 1: Summary of Significant Accounting Policies (Continued)**

**B. Basis of Presentation (Continued)**

The District's fiduciary funds include the following:

Payroll Clearing Fund – This fund accounts for all payroll expenditures including salaries and wages, payroll withholdings, employee benefits, and taxes.

Additionally, the school district reports the following fund types:

**GOVERNMENTAL FUND TYPES**

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

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.

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

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting as are the Fiduciary Fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government

**CLAY COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2008**

**Note 1: Summary of Significant Accounting Policies (Continued)**

**C. Measurement Focus and Basis of Accounting (Continued)**

considers revenues to be available if they are collected within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

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

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

Ad valorem property taxes are levied by the governing 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.

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

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

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

**CLAY COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2008**

**Note 1: Summary of Significant Accounting Policies (Continued)**

**C. Measurement Focus and Basis of Accounting (Continued)**

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

**D. Account Classifications**

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

**E. Encumbrances**

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

**F. Assets, Liabilities, and Net Assets**

1. Cash and cash equivalents and investments.

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

Investments

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

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

**CLAY COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2008**

**Note 1: Summary of Significant Accounting Policies (Continued)**

**F. Assets, Liabilities, and Net Assets (Continued)**

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

Donated commodities are received from the USDA and are valued at USDA cost. Other inventories are valued at cost (calculated on the first-in, first-out basis). The costs of governmental fund type inventories are reported as expenditures when purchased

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and governmental fund financial statements.

5. Restricted Assets

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

**CLAY COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2008**

**Note 1: Summary of Significant Accounting Policies (Continued)**

**F. Assets, Liabilities, and Net Assets (Continued)**

6. Capital Assets

Capital assets, which include property, plant, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the following table and estimated useful lives in excess of two years.

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

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

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
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.

**CLAY COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2008**

**Note 1: Summary of Significant Accounting Policies (Continued)**

**F. Assets, Liabilities, and Net Assets (Continued)**

7. Compensated Absences.

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. Some employees are allowed personal 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.

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

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

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 5 for details.

9. Fund equity.

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

**CLAY COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2008**

**Note 1: Summary of Significant Accounting Policies (Continued)**

**F. Assets, Liabilities, and Net Assets (Continued)**

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

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

Reserved for 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.

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

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

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.

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

**Note 2: Cash and Cash Equivalents**

**Cash and Cash Equivalents**

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

**CLAY COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2008**

**Note 2: Cash and Cash Equivalents (Continued)**

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

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$2,641,923 and \$74,463, respectively. The carrying amount of deposits reported in the government-wide statements was: Cash and cash equivalents \$2,596,825 and Restricted assets \$45,098, respectively. The Restricted assets represents the cash balance of the 16<sup>th</sup> section Principal funds (Permanent Funds) which is legally restricted and may not be used for purposes that support the district's programs. The bank balance was \$2,783,858.

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district.

**CLAY COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2008**

**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	\$ 1,891	300
Enhancing Education E2T2 Fund		1,891
Other Governmental Funds	<u>300</u>	
Total	<u>\$ 2,191</u>	<u>2,191</u>

The amounts due to or from other funds represent amounts loaned between funds for timing differences between revenues and expenditures and cash balances.

B. Interfund Transfers

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General fund	\$ 40,703	78,090
Other Governmental Funds	<u>78,090</u>	<u>40,703</u>
Total	<u>\$ 118,793</u>	<u>118,793</u>

The transfers represent board approved operating transfers for school operations and planning purposes.

**CLAY COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2008**

**Note 4: Capital Assets**

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

	Balance 7/1/2007	Additions	Retirements	Adjustments	Balance 6/30/2008
<u>Non-depreciable capital assets</u>					
Land	\$ 11,040				11,040
Construction on Progress		43,090			43,090
Total non-depreciable capital assets	11,040	43,090	-0-	-0-	54,130
<u>Depreciable capital assets</u>					
Buildings	433,564				433,564
Mobile equipment	687,763			(128,160)	559,603
Furniture and equipment	130,236				130,236
Total depreciable assets	1,251,563	-0-	-0-	(128,160)	1,123,403
<u>Less accumulated depreciation for:</u>					
Buildings	329,508	8,672			338,180
Mobile equipment	420,997	38,459		(115,344)	344,112
Furniture and equipment	79,833	9,362			89,195
Total accumulated depreciation	830,338	56,493	-0-	(115,344)	771,487
Total depreciable capital assets, net	421,225	(56,493)	-0-	(12,816)	351,916
Governmental activities capital assets, net	\$ 432,265	(13,403)	-0-	(12,816)	406,046

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 16,119
Support services	40,374
	<u>\$ 56,493</u>

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

The adjustment was to record the disposal of four buses in FY 2007. The total asset value and accumulated depreciation were \$128,160 and \$115,344, respectively.

**CLAY COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2008**

**Note 4: Capital Assets (Continued)**

Commitments under construction contracts at June 30, 2008 are summarized as follows:

	Spent to June 30, 2008	Commitment to finish
Cafeteria project	\$ 43,090	798,896

**Note 5: Long-term Liabilities**

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

	Balance 7/1/2007	Additions	Reductions	Balance 6/30/2008	Amounts due within one year
Compensated absences payable	\$ 7,817	-0-	11	7,806	-0-
Total	\$ 7,817	-0-	11	7,806	-0-

A. Compensated absences payable

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

Commitments under construction contracts are described in Note 4.

**Note 6: Other Commitments**

Operating lease:

The school district has an operating lease for a Xerox copier.

Lease expenditures for the year ended June 30, 2008, amounted to \$2,635. Future lease payments for this lease are as follows:

**CLAY COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2008**

**Note 6: Other Commitments (Continued)**

Year Ending June 30,	Amount
2009	2,635
Total	\$ <u>2,635</u>

**Note 7: Defined Benefit Pension Plan**

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

**Funding Policy.** PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The rate for fiscal year ended June 30, 2008, was 11.85% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2008, 2007, and 2006 were \$143,753, \$131,672, and \$123,368, respectively, which equaled the required contributions for each year.

**Note 8: Sixteenth Section Lands**

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

**CLAY COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2008**

**Note 8 Sixteenth Section Lands (Continued)**

Year Ending June 30,	Amount
2009	\$ 2,978
2010	5,956
2011	5,956
2012	4,528
2013	3,100
2014	1,550
Total	\$ 24,068

**Note 9: Prior Period Adjustment**

A summary of fund equity adjustments is as follows:

Exhibit B – Statement of Activities

<u>Explanation</u>	
Disposal of four buses not recorded in FY 2007	\$(128,160)
Accumulated depreciation on the above buses	115,344
Loss on disposal	\$ (12,816)

**Note 10: Contingencies**

Federal Grants. – The school district has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowances resulting from the grantor audit may become a liability of the school district.

The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the school district with respect to the various proceedings. However, the school district's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the school district.

**CLAY COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2008**

**Note 11: Risk Management**

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

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 95 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 Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies.

The district has not had an additional assessment for excess losses incurred by the pool.

**Note 12: Uncertainties**

In cases where a township is occupied by two or more school districts, state law requires that available sixteenth section funds shall be divided between the school districts lying wholly or partly within such townships in proportion to the number of children enrolled and residing in each school district. In order to determine what portions of available sixteenth section funds are due to or from other school districts, the superintendent of each school district is required to compile lists of such children in compliance with Section 29-3-121, Miss. Code Ann. (1972). Because one of the school districts which share a township with Clay County School District did not file its list of children as required, no division of sixteenth section revenues has been accrued as a receivable or payable, as the case may be.

**CLAY COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2008**

**Note 12: Uncertainties (Continued)**

Of the townships Clay County School District shares with other school districts, Clay County School District has control of some of the sixteenth section property. A portion of the sixteenth section revenues (rents, leases, timber sales, etc.) Clay County School District received on these sections may be due to other school districts. In addition, on the other townships where another school district controls the sixteenth section property, Clay County School District may be entitled to a portion of the sixteenth section revenues the other school district(s) received. Because none of the school districts compiled and filed lists of children as state law requires in either the current year or in preceding years, neither the amounts of any liabilities owed to other school districts nor the amounts of any receivables from other school districts can be determined.

**Note 13: Threatened Claims**

A claim of discrimination has been filed with the Equal Employment Opportunity Commission by a former employee. Documents have been submitted by the Clay County School District in response to such claim. A settlement offer from the claimant was rejected by Clay County School District. Clay County School District is of the opinion that the claim is without merit. The claimant is likely to be issued a "right to sue" letter by the EEOC at the completion of its investigation. At the current time there is no way to determine an outcome, if suit is filed, and no estimate of damages, if any, can be made.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CLAY COUNTY SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE FOR THE  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2008**

**SCHEDULE 1**

	<u>Budgeted Amounts</u>		Actual (GAAP Basis)	Variances Positive (Negative)	
	<u>Original</u>	<u>Final</u>		<u>Original to Final</u>	<u>Final to Actual</u>
<b>Revenues:</b>					
Local sources	\$ 921,529	868,341	870,434	(53,188)	2,093
Intermediate Sources	-0-	3,160	3,160	3,160	-0-
State sources	1,030,350	1,004,263	1,004,263	(26,087)	-0-
Federal sources	44,500	17,691	17,691	(26,809)	-0-
Total Revenues	<u>1,996,379</u>	<u>1,893,455</u>	<u>1,895,548</u>	<u>(102,924)</u>	<u>2,093</u>
<b>Expenditures:</b>					
Instruction	694,538	644,888	645,560	49,650	(672)
Support services	1,087,252	949,192	939,505	138,060	9,687
Facilities acquisition	800,000	-0-	-0-	800,000	-0-
Total Expenditures	<u>2,581,790</u>	<u>1,594,080</u>	<u>1,585,065</u>	<u>987,710</u>	<u>9,015</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(585,411)</u>	<u>299,375</u>	<u>310,483</u>	<u>884,786</u>	<u>11,108</u>
<b>Other Financing Sources (Uses):</b>					
Sale of other property	200	-0-	-0-	(200)	-0-
Operating transfers in	59,125	40,703	40,703	(18,422)	-0-
Operating transfers out	(50,000)	(78,090)	(78,090)	(28,090)	-0-
Total Other Financing Sources (Uses)	<u>9,325</u>	<u>(37,387)</u>	<u>(37,387)</u>	<u>(46,712)</u>	<u>-0-</u>
Net Change in Fund Balances	<u>(576,086)</u>	<u>261,988</u>	<u>273,096</u>	<u>838,074</u>	<u>11,108</u>
<b>Fund Balances:</b>					
July 1, 2007	<u>2,070,333</u>	<u>2,323,813</u>	<u>2,320,299</u>	<u>253,480</u>	<u>(3,514)</u>
June 30, 2008	<u>\$ 1,494,247</u>	<u>2,585,801</u>	<u>2,593,395</u>	<u>1,091,554</u>	<u>7,594</u>

Final to actual variances due to audit adjustments.

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

**CLAY COUNTY SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE FOR THE  
ENHANCING EDUCATION E2T2 FUND  
FOR THE YEAR ENDED JUNE 30, 2008**

**SCHEDULE 2**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variances	
	<u>Original</u>	<u>Final</u>	<u>(GAAP Basis)</u>	Positive	(Negative)
				<u>Original</u>	<u>Final</u>
				<u>to Final</u>	<u>to Actual</u>
Revenues:					
Federal sources	\$ 152,983	116,938	116,271	(36,045)	(667)
Total Revenues	<u>152,983</u>	<u>116,938</u>	<u>116,271</u>	<u>(36,045)</u>	<u>(667)</u>
Expenditures:					
Support services	114,380	116,938	116,271	(2,558)	667
Total Expenditures	<u>114,380</u>	<u>116,938</u>	<u>116,271</u>	<u>(2,558)</u>	<u>667</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>38,603</u>	<u>-0-</u>	<u>-0-</u>	<u>(38,603)</u>	<u>-0-</u>
Net Change in Fund Balances	<u>38,603</u>	<u>-0-</u>	<u>-0-</u>	<u>(38,603)</u>	<u>-0-</u>
Fund Balances:					
July 1, 2007	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
June 30, 2008	<u>\$ 38,603</u>	<u>-0-</u>	<u>-0-</u>	<u>(38,603)</u>	<u>-0-</u>

Final to actual variances due to audit adjustments.

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

**CLAY COUNTY SCHOOL DISTRICT  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2008**

**Budgetary Comparison Schedule**

**Note 1: Basis of Presentation**

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

**Note 2: Budget Amendments and Revisions**

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

**SUPPLEMENTAL INFORMATION**

**CLAY COUNTY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2008**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<b>U.S. Department of Agriculture</b>		
Passed-through Mississippi Department of Education:		
Child Nutrition Cluster:		
School breakfast program	10.553	38,381
National school lunch program	10.555	68,947
Total		<u>107,328</u>
Total passed-through MDE		<u>107,328</u>
<b>Total U.S. Department of Agriculture</b>		<u>107,328</u>
<b>U.S. Department of Education</b>		
Passed through Mississippi Department of Education:		
Special Education Cluster		
Special education - grants to states	84.027	75,867
Special education - preschool grants	84.173	25,459
Total		101,326
Title I - grants to local educational agencies	84.010	192,605
State grants for innovative programs	84.298	300
Safe and drug-free schools and communities - state grants	84.186	2,589
Improving teacher quality - state grants	84.367	49,653
21st Century Learning	84.287	48,701
Education technology state grants	84.318	116,938
Reading first state grants	84.357	214,170
Total passed through Mississippi Department of Education		<u>726,282</u>
<b>Total U.S. Department of Education</b>		<u>726,282</u>
<b>Total for All Federal Awards</b>		<u>\$ 833,610</u>

Note 1: This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements.

Note 2: The expenditure amounts include transfers out.

Note 3: The pass-through entities did not assign identifying numbers to the school district.

**CLAY COUNTY SCHOOL DISTRICT  
SCHEDULE OF INSTRUCTIONAL, ADMINISTRATIVE, AND OTHER EXPENDITURES -  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2008**

Clay County School District  
June 30, 2008

Expenditures	Total	Instruction and Other Student Support Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 1,724,023	1,120,102	289,200	100,407	214,314
Other	<u>780,012</u>	<u>294,369</u>	<u>150,447</u>	<u>19,318</u>	<u>315,878</u>
Total	\$ <u>2,504,035</u>	<u>1,414,471</u>	<u>439,647</u>	<u>119,725</u>	<u>530,192</u>
Total number of students*	157				
Cost per student	\$ <u>15,949</u>	<u>9,009</u>	<u>2,800</u>	<u>763</u>	<u>3,377</u>

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

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

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

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

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

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

**OTHER SUPPLEMENTAL INFORMATION**

**CLAY COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GENERAL FUND - LAST FOUR YEARS  
FOR THE YEAR ENDED JUNE 30, 2008**

"UNAUDITED"

	<u>2008</u>	<u>2007*</u>	<u>2006*</u>	<u>2005*</u>
Revenues:				
Local sources	\$ 870,434	838,062	794,610	663,717
Intermediate sources	3,160	-0-	-0-	-0-
State sources	1,004,263	985,954	1,051,148	992,593
Federal sources	17,691	6,307	47,905	29,572
Total Revenues	<u>1,895,548</u>	<u>1,830,323</u>	<u>1,893,663</u>	<u>1,685,882</u>
Expenditures:				
Instruction	645,560	686,588	631,082	624,188
Support services	939,505	918,460	928,603	847,130
Total Expenditures	<u>1,585,065</u>	<u>1,605,048</u>	<u>1,559,685</u>	<u>1,471,318</u>
Excess (Deficiency) of Revenues over Expenditures	<u>310,483</u>	<u>225,275</u>	<u>333,978</u>	<u>214,564</u>
Other Financing Sources (Uses):				
Operating transfers in	40,703	148,365	47,906	43,093
Operating transfers out	(78,090)	(26,220)	(30,000)	(18,385)
Total Other Financing Sources (Uses)	<u>(37,387)</u>	<u>122,145</u>	<u>17,906</u>	<u>24,708</u>
Net Change in Fund Balances	<u>273,096</u>	<u>347,420</u>	<u>351,884</u>	<u>239,272</u>
Fund Balances:				
Beginning	2,320,299	1,972,879	1,619,297	1,367,955
Prior period adjustments	-0-	-0-	1,698	12,070
Beginning, as restated	<u>2,320,299</u>	<u>1,972,879</u>	<u>1,620,995</u>	<u>1,380,025</u>
Ending	<u>\$ 2,593,395</u>	<u>2,320,299</u>	<u>1,972,879</u>	<u>1,619,297</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**CLAY COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
ALL GOVERNMENTAL FUNDS – LAST FOUR YEARS  
FOR THE YEAR ENDED JUNE 30, 2008**

"UNAUDITED"

	<u>2008</u>	<u>2007*</u>	<u>2006*</u>	<u>2005*</u>
<b>Revenues:</b>				
Local sources	\$ 882,556	853,724	810,261	677,867
Intermediate sources	3,160	-0-	-0-	-0-
State sources	1,021,982	1,003,924	1,069,347	1,107,265
Federal sources	851,273	949,372	837,505	734,469
Sixteenth section sources	15,486	123,019	28,878	9,812
Total Revenues	<u>2,774,457</u>	<u>2,930,039</u>	<u>2,745,991</u>	<u>2,529,413</u>
<b>Expenditures:</b>				
Instruction	1,052,107	1,130,928	958,393	1,046,654
Support services	1,290,303	1,334,426	1,339,025	1,114,913
Noninstructional services	118,535	117,324	123,279	113,774
Sixteenth section	-0-	3,042	4,896	1,107
Facilities acquisition and construction	43,090	-0-	-0-	-0-
Total Expenditures	<u>2,504,035</u>	<u>2,585,720</u>	<u>2,425,593</u>	<u>2,276,448</u>
Excess (Deficiency) of Revenues over Expenditures	<u>270,422</u>	<u>344,319</u>	<u>320,398</u>	<u>252,965</u>
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	118,793	158,365	77,906	53,093
Operating transfers out	(118,793)	(158,365)	(77,906)	(53,093)
Total Other Financing Sources (Uses)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Net Change in Fund Balances	<u>270,422</u>	<u>344,319</u>	<u>320,398</u>	<u>252,965</u>
<b>Fund Balances:</b>				
Beginning	2,421,270	2,077,319	1,754,164	1,490,371
Prior period adjustments	-0-	-0-	1,641	12,070
Beginning, as restated	<u>2,421,270</u>	<u>2,077,319</u>	<u>1,755,805</u>	<u>1,502,441</u>
Increase (Decrease) in reserve for inventory	<u>499</u>	<u>(368)</u>	<u>1,116</u>	<u>(1,242)</u>
Ending	<u>\$ 2,692,191</u>	<u>2,421,270</u>	<u>2,077,319</u>	<u>1,754,164</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**REPORTS ON INTERNAL CONTROL AND COMPLIANCE**

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

Superintendent and School Board  
Clay County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Clay County School District as of and for the year ended June 30, 2008, which collectively comprise the Clay County School District's basic financial statements and have issued our report thereon dated March 5, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the 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 internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, 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 disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance or other matter that we have reported to management of the school district in a separate letter dated March 5, 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.

Tupelo, Mississippi  
March 5, 2009

*J. E. Vance & Company*

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

Superintendent and School Board  
Clay County School District

### Compliance

We have audited the compliance of the Clay 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, 2008. The Clay County 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, Clay 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, 2008.

Internal Control Over Compliance

The management of the Clay 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 Clay County 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, others within the entity, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Tupelo, Mississippi  
March 5, 2009



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## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board  
Clay County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Clay County School District as of and for the year ended June 30, 2008, which collectively comprise Clay County School District's basic financial statements and have issued our report thereon dated March 5, 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$1,873 of classroom supply funds carried over from previous years.

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instance of noncompliance with other state laws and regulations. Our finding and recommendation and your response are as follows:

Finding 08-01: The school district did not secure two written quotes prior to purchasing petroleum products from Newman Oil Company in violation of Section 31-7-13, Mississippi Code Annotated (1972).

Recommendation: The school district should secure a minimum of two written quotes prior to making any purchase covered under State Statute 31-7-13.

Response: The school district will comply with Section 31-7-13, Mississippi Annotated Code (1972) for all future purchases.

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

The Clay County School District's responses to the findings included in this report were not audited and, accordingly, we express no opinion on them.

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.

Tupelo, Mississippi  
March 5, 2009



**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**CLAY COUNTY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**Section 1: Summary of Auditor's Results**

**Financial Statements:**

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

**Federal Awards:**

- |  |             |
|--|-------------|
| 4. Type of auditors' report issued on compliance for major federal programs:                 | Unqualified |
| 5. Internal control over major programs:   |             |
| a. Material weakness(es) identified?   | No          |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | No          |
| 6. Any audit findings reported as required by Section __.510(a) of OMB Circular A-133?       | No          |
| 7. Federal programs identified as a major program:   |             |
| a. Child nutrition cluster   |             |
| CFDA #10.553   |             |
| CFDA # 10.555  |             |
| b. E2T2  |             |
| CFDA #84.318   |             |

**CLAY COUNTY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**Section 1: Summary of Auditor's Results (Continued)**

- |  |            |
|--|------------|
| 8. The dollar threshold used to distinguish between type A and type B programs:  | \$300,000. |
| 9. Auditee qualified as a low-risk auditee?  | Yes        |
| 10. Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.510(b) of OMB Circular A-133? | No         |

**Section 2: Financial Statement Findings**

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

**Section 3: Federal Award Findings and Questioned Costs**

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