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CLAIBORNE COUNTY SCHOOL DISTRICT

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2008

CLAIBORNE COUNTY SCHOOL DISTRICT
 June 30, 2008
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June 30, 2008
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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, 2008, 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 funds information of the Claiborne 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 July 22, 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 41 through 44 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.

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.

Banks, Family, White & Co.

July 22, 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, 2008

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, 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 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 \$220,001, which represents an 2.56% increase from fiscal year 2007.
- General revenues account for \$13,178,355 in revenue, or 80% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,375,271 or 20% of total revenues.
- The District had \$16,322,531 in expenses; only \$3,375,271 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$13,178,355 and net assets were adequate to provide for these programs.
- Among major funds, the General Fund had \$11,871,714 in revenues and \$12,365,791 in expenditures, \$539,819 in other financing sources and \$530,854 in other uses. The General Fund's fund balance decreased \$522,813 from the prior year.
- Capital assets, net of accumulated depreciation, decreased by \$341,906 from the prior year. This decrease was due mainly to depreciation of the capital assets.
- Long-term debt decreased by \$623,782 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, 2008**

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 Exhibits A and B 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 Exhibits C-1 and D-1, respectively of this report.

CLAIBORNE COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2008

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 Exhibits 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 Assets and Liabilities 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 19 through 39 this report.

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

The District adopts an annual operating budget for all governmental funds. A Budgetary Comparison Schedule has been provided for the General Fund and each additional Major Special Revenue Fund. This required supplementary information can be found on "pages 40 - 43" of this report.

Additionally, a Schedule of Expenditures of Federal Awards is required by OMB Circular A-133 and a schedule of instructional, administrative, and other expenditures for governmental funds and statements of revenues, expenditures and changes in fund balances for the General Fund and All Governmental Funds - last four years can be found on "pages 46 - 52" 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 \$8,814,814 as of June 30, 2008.

By far the largest portion of the District's net assets \$4,405,652 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, 2008

The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2008 and 2007, respectively.

	NET ASSETS		Percentage Change
	JUNE 30, 2008	JUNE 30, 2007	
Current assets	\$ 5,764,119	\$ 5,815,219	(0.88)%
Capital assets, net	<u>7,912,237</u>	<u>8,254,143</u>	(4.14)%
Total assets	<u>\$ 13,676,356</u>	<u>\$ 14,069,362</u>	(2.79)%
Current liabilities	\$ 775,248	\$ 764,473	1.41 %
Long-term debt outstanding	<u>4,086,294</u>	<u>4,710,076</u>	(13.24)%
Total liabilities	<u>\$ 4,861,542</u>	<u>\$ 5,474,549</u>	(11.20)%
Net assets			
Invested in capital assets, net of related debt	\$ 4,405,652	3,976,085	10.80 %
Restricted	3,178,521	2,717,594	16.96 %
Unrestricted	<u>1,230,641</u>	<u>1,901,134</u>	(35.27)%
Total net assets	<u>\$ 8,814,814</u>	<u>8,594,813</u>	2.56 %

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

Decrease in total current assets in the amount of \$51,100

Decrease in net capital assets in the amount of \$341,906

Increase in current liabilities in the amount of \$10,775.

Decrease in long-term liabilities in the amount of \$623,782.

**CLAIBORNE COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2008**

Changes in net assets - The District's total revenues for the fiscal year ended June 30, 2008 were \$16,553,626. The total cost of all programs and services was \$16,322,531. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2008 and 2007, respectively.

	<u>Change in Net Assets</u>		Percentage Change
	<u>JUNE 30, 2008</u>	<u>JUNE 30, 2007</u>	
Revenues			
Program revenues:			
Charges for services	\$ 145,573	127,281	14.37 %
Operating grants and contributions	3,229,698	3,052,434	5.81 %
General revenues:			
Property taxes	4,601,976	4,672,472	(1.51)%
Grants and contributions not restricted	8,061,888	7,744,477	4.10
Other	514,491	453,914	13.35
Total revenues	<u>\$ 16,553,626</u>	<u>16,050,578</u>	3.13 %
Expenses:			
Instruction	9,235,951	8,971,924	2.94 %
Support services	5,952,479	5,354,754	11.16 %
Non-instructions	967,455	1,166,808	(17.09)%
Sixteenth section	17,379	10,416	66.85 %
Interest and other expense on long-term liabilities	149,267	196,997	(24.23)%
Total expenses	<u>16,322,531</u>	<u>15,700,899</u>	3.96 %
Increase (Decrease) in net assets	231,095	349,679	(33.91)%
Net Asset, July 1	8,594,813	8,330,440	3.17 %
Prior period adjustment	(11,094)	(85,306)	(87.00)%
Net Asset, June 30	<u>\$ 8,814,814</u>	<u>8,594,813</u>	2.56 %

**CLAIBORNE COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2008**

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

	2008		2007	
	Total Expenses	Net (Expense) Revenue	Total Expenses	Net (Expense) Revenue
Instruction	\$ 9,235,951	\$ (8,022,556)	\$ 8,971,924	\$ (7,724,076)
Support services	5,952,479	(4,836,784)	5,354,754	(4,515,002)
Non-instructional	967,455	78,726	1,166,808	(74,693)
Sixteenth section	17,379	(17,379)	10,416	(10,416)
Interest on long-term liabilities	149,267	(149,267)	196,997	(196,997)
Total expenses	\$ 16,322,531	\$ (12,947,260)	\$ 15,700,899	\$ (12,521,184)

Net cost of governmental activities \$12,947,260, was financed by general revenue, which is made up of primarily property taxes \$4,601,976 and state revenue \$7,948,301.

Investment earnings accounted for \$59,935 of funding.

Sixteenth section sources accounted for \$425,143 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 \$5,055,472, a decrease of \$70,914 from the prior year.

**CLAIBORNE COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2008**

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 \$522,813. 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	\$ 75,376
Title I Fund	-

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 and other major Special Revenue funds is provided in this report as required supplementary information.

Capital Assets and Debt Administration

Capital Assets - As of June 30, 2008, the District's total capital assets were \$15,173,294, including land, school buildings, buses, other school vehicles, and furniture and equipment. This amount represents a decrease of \$145,101 from the previous year. Total accumulated depreciation as of June 30, 2008 was \$7,261,057, and total depreciation expense for the year was \$346,633, resulting in total net capital assets of \$7,912,237.

	<u>Capital Assets, Net of Depreciation</u>		<u>Percentage Change</u>
	<u>2008</u>	<u>2007</u>	
Land	\$ 473,980	\$ 473,980	- %
Buildings	6,473,673	6,635,432	(2.44)%
Building improvements	197,975	206,582	(4.17)%
Mobile equipment	307,937	391,054	(21.25)%
Furniture and equipment	147,932	192,665	(23.22)%
Leased property under capital lease	<u>310,740</u>	<u>354,430</u>	(12.33)%
Total	<u>\$ 7,912,237</u>	<u>\$ 8,254,143</u>	(4.14)%

**CLAIBORNE COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2008**

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

Debt Administration - At June 30, 2008, the District had \$4,086,294 in general obligation bonds and other long-term debt outstanding, of which \$1,013,035 is due within one year. In addition, the liability for compensated absences increased by \$- from the prior year.

	<u>Outstanding Debt</u>		<u>Percentage Change</u>
	<u>2008</u>	<u>2007</u>	
General obligation bonds payable	\$ 935,000	\$ 1,385,000	(32.49)%
Limited Obligation bonds payable	1,490,000	1,695,000	(12.09)%
Obligations under capital lease	181,585	298,058	(39.08)%
Shortfall note payable	499,849	324,242	54.16 %
Qualified zone academy bonds payable	900,000	900,000	- %
Compensated absences payable	79,860	107,776	(25.90)%
Total	<u>\$ 4,086,294</u>	<u>\$ 4,710,076</u>	(13.24)%

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, 2008

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 4,228,939
Investments	219,572
Due from other governments	418,669
Other receivables, net	294,154
Inventories	6,696
Restricted assets	596,089
Capital assets, non-depreciable	
Land	473,980
Capital assets, net of accumulated depreciation	
Buildings	6,473,673
Building improvements	197,975
Mobile equipment	307,937
Furniture and equipment	147,932
Leased property under capital lease	<u>310,740</u>
Total Assets	<u>13,676,356</u>
Liabilities	
Accounts payable and accrued liabilities	655,477
Unearned revenue	53,170
Interest payable on long-term liabilities	66,601
Long-term liabilities, due within one year	
Capital related liabilities	796,435
Noncapital related liabilities	216,600
Long-term liabilities, due beyond one year	
Capital related liabilities	2,710,150
Noncapital related liabilities	<u>363,109</u>
Total Liabilities	<u>4,861,542</u>
Net Assets	
Invested in capital assets, net of related debt	4,405,652
Restricted net assets:	
Expendable:	
School-based activities	1,431,833
Debt service	384,335
Capital improvements	599,894
Forestry improvements	400,346
Unemployment benefits	42,365
Nonexpendable:	
Sixteenth section	319,748
Unrestricted	<u>1,230,641</u>
Total Net Asset	<u>\$ 8,814,814</u>

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, 2008

<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	\$ 9,235,951	91,122	1,122,273	-	\$ (8,022,556)
Support services	5,952,479	19,279	1,096,416	-	(4,836,784)
Non-instructional	967,455	35,172	1,011,009	-	78,726
Sixteenth section	17,379	-	-	-	(17,379)
Interest on long-term liabilities	<u>149,267</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(149,267)</u>
Total Governmental Activities	<u>\$ 16,322,531</u>	<u>145,573</u>	<u>3,229,698</u>	<u>-</u>	<u>(12,947,260)</u>
General Revenues:					
Taxes:					
					\$ 4,033,360
					568,616
Unrestricted grants and contributions:					
					7,948,301
					113,587
					59,935
					425,143
					<u>29,413</u>
					<u>13,178,355</u>
Change in Net Assets					
					<u>231,095</u>
Net Assets - Beginning					
					8,594,813
					<u>(11,094)</u>
Net Assets - Beginning - Restated					
					<u>8,583,719</u>
Net Assets - Ending					
					<u>\$ 8,814,814</u>

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

CLAIBORNE COUNTY SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2008

	<u>Major Funds</u>			Other Governmental Funds	Total Governmental Funds
	General Fund	School Lunch Fund	Title I Fund		
ASSETS					
Cash and cash equivalents	\$ 1,451,652	453,649	115,816	2,250,501	\$ 4,271,618
Cash with fiscal agent	-	-	-	684	684
Investments	-	-	-	772,298	772,298
Due from other governments	128,226	-	37,427	255,084	420,737
Other receivable, net	27,850	-	-	216	28,066
Due from other funds	824,499	10,497	18,163	155,341	1,008,500
Advances to other funds	1,000	-	-	-	1,000
Inventories	-	6,696	-	-	6,696
Total Assets	<u>\$ 2,433,227</u>	<u>470,842</u>	<u>171,406</u>	<u>3,434,124</u>	<u>\$ 6,509,599</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable and accrued liabilities	\$ 259,985	3,132	12,158	121,430	\$ 396,705
Due to other funds	362,907	219,077	159,248	263,020	1,004,252
Unearned revenue	-	-	-	53,170	53,170
Total Liabilities	<u>622,892</u>	<u>222,209</u>	<u>171,406</u>	<u>437,620</u>	<u>1,454,127</u>
Fund Balances:					
Reserved for:					
Unemployment benefits	-	-	-	42,365	42,365
Forestry improvement purposes	-	-	-	400,361	400,361
Permanent Fund purposes	-	-	-	319,748	319,748
Capital improvements	-	-	-	599,894	599,894
Debt Service	-	-	-	450,936	450,936
Inventory	-	6,696	-	-	6,696
Advances	1,000	-	-	-	1,000
Unreserved Undesignated, reported in:					
General Fund	1,809,335	-	-	-	1,809,335
Special Revenue Funds	-	241,937	-	1,183,200	1,425,137
Total Fund Balances	<u>1,810,335</u>	<u>248,633</u>	<u>-</u>	<u>2,996,504</u>	<u>5,055,472</u>
Total Liabilities and Fund Balances	<u>\$ 2,433,227</u>	<u>470,842</u>	<u>171,406</u>	<u>3,434,124</u>	<u>\$ 6,509,599</u>

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

CLAIBORNE COUNTY SCHOOL DISTRICT
Reconciliation of Governmental Funds Balance Sheet to the
Statement of Net Assets
June 30, 2008

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 5,055,472
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 \$7,261,057	7,912,237
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(4,086,294)
3. Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Assets recognizes interest as it accrues.	<u>(66,601)</u>
Total Net Assets - Governmental Activities	<u>\$ 8,814,814</u>

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, 2008

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	School Lunch Fund	Title I Fund		
Revenues:					
Local sources	\$ 4,179,123	29,094	2,250	603,331	\$ 4,813,798
State sources	7,579,004	5,353	-	875,052	8,459,409
Federal sources	113,587	1,018,927	762,279	937,386	2,832,179
Sixteenth section sources	-	-	-	444,422	444,422
Total Revenues	<u>11,871,714</u>	<u>1,053,374</u>	<u>764,529</u>	<u>2,860,191</u>	<u>16,549,808</u>
Expenditures:					
Instruction	7,498,152	-	348,008	1,087,767	8,933,927
Support services	4,719,011	105,233	407,094	627,190	5,858,528
Noninstructional services	17,984	902,898	-	46,261	967,143
Sixteenth section	-	-	-	17,379	17,379
Debt service:					
Principal	116,473	-	-	806,161	922,634
Interest	14,171	-	-	141,855	156,026
Other	-	-	-	2,284	2,284
Total Expenditures	<u>12,365,791</u>	<u>1,008,131</u>	<u>755,102</u>	<u>2,728,897</u>	<u>16,857,921</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(494,077)</u>	<u>45,243</u>	<u>9,427</u>	<u>131,294</u>	<u>(308,113)</u>
Other Financing Sources (Uses):					
Proceeds from loans	326,768	-	-	-	326,768
Payment held by Escrow Agent	-	-	-	73,151	73,151
Sale of other property	3,818	-	-	-	3,818
Operating transfers in	209,233	99,831	10,573	318,832	638,469
Operating transfers out	(429,236)	(70,000)	(20,000)	(119,233)	(638,469)
Payment to Qualified Zone Academy Debt Escrow Agent	(19,019)	-	-	(54,132)	(73,151)
Other uses	(82,599)	-	-	-	(82,599)
Total Other Financing Sources (Uses)	<u>8,965</u>	<u>29,831</u>	<u>(9,427)</u>	<u>218,618</u>	<u>247,987</u>
Net Change in Fund Balances	<u>(485,112)</u>	<u>75,074</u>	<u>-</u>	<u>349,912</u>	<u>(60,126)</u>
Fund Balances:					
July 1, 2007	2,333,148	173,257	-	2,619,981	5,126,386
Prior period adjustments	(37,701)	-	-	26,611	(11,090)
July 1, 2007, as restated	<u>2,295,447</u>	<u>173,257</u>	<u>-</u>	<u>2,646,592</u>	<u>5,115,296</u>
(Decrease) increase in reserve for inventory	-	302	-	-	302
June 30, 2008	<u>\$ 1,810,335</u>	<u>248,633</u>	<u>-</u>	<u>2,996,504</u>	<u>\$ 5,055,472</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, 2008

	Amount
Net Change in Fund Balances - Governmental Funds	\$ (60,126)
Amounts reported for governmental activities in the Statement of Activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$24,374 and the depreciation expense amounted to \$346,633.	(322,259)
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.	(326,768)
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.	922,634
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.	9,043
5. 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.	(19,647)
6. Increase in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are decreased in the Statement of Activities.	302
7. 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	27,916
Change in Net Assets of Governmental Activities	\$ 231,095

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

CLAIBORNE COUNTY SCHOOL DISTRICT
Statement of Fiduciary Assets and Liabilities
June 30, 2008

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 569,151
Due from other governments	69,283
Due from other funds	<u>258,772</u>
Total Assets	<u>\$ 897,206</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 611,215
Due to other funds	263,020
Advances from other funds	1,000
Due to student clubs	<u>21,971</u>
Total Liabilities	<u>\$ 897,206</u>

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, 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 five (5) member board which each member was elected by the citizens of each defined county district.

For financial reporting purposes, Claiborne 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 financial burdens on the District.

B. Basis of Presentation

Government-wide Financial Statements:

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

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

1. Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. *Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

CLAIBORNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2008

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. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support, and other costs.

School Lunch Fund - This fund is used to account for the revenues and expenditures of the district's food service operations.

Title I Fund - This fund is used to account for the revenues received for the education of economically deprived children.

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 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.

CLAIBORNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2008

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.

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 on 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 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.

CLAIBORNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2008

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.

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 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, 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 during the fiscal year.

F. Assets, liabilities, and net assets or equity

1. Cash, Cash Equivalents and Investments.

Cash and cash equivalents.

The district's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three 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.

CLAIBORNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2008

Investments.

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

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

Investments for the district are reported at fair market value.

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.

Prepaid items, such as prepaid insurance, are not reported for governmental fund types since the costs of such items are accounted for as expenditures in the period of acquisition.

CLAIBORNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2008

5. Restricted Assets.

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

6. Capital Assets.

Capital assets, which include property, plant, furniture and equipment, are reported in the 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.

	Capitalization Policy	Estimated Useful Life
Land	\$ -	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 5 for details.

CLAIBORNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2008

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

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

9. Fund equity.

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

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved 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, 2008

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

Reserved for capital improvements - 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.

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

CLAIBORNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2008

NOTE 2 - CASH AND CASH EQUIVALENTS, CASH WITH FISCAL AGENTS AND INVESTMENTS

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits 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 Deposit Insurance Corporation.

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest surplus funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: certificates of deposits and interest bearing accounts with qualified state depositories. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Amounts less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$4,892,037 (which included \$620,419 of certificates of deposits with original maturities beyond three months and reported on Exhibit C as investments) and \$569,151, respectively. The bank balance was \$5,883,686.

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, 2008, none of the district's bank balance of \$5,883,686 was exposed to custodial credit risk.

CLAIBORNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2008

Cash with Fiscal Agents

The carrying amount of the school district's cash with fiscal agents held by financial institutions was \$684.

Investments

As of June 30, 2008, the district had the following investments. Except for the investment in U.S. Government securities and Hancock Bank money market funds, all investments are in an internal investment pool.

Investment Type	Maturities (in years)	Fair Value	Rating
U.S. Government securities	less than 1	151,879	AA
Certificate of deposit	less than 1	494,573	Aaa
Hancock Bank - money market funds	less than 1	\$ 125,846	AA
Total Investments		<u>\$ 772,298</u>	

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. Of the district's investments in Trustmark National Bank and Hancock Bank, \$277,725 of underlying securities are held by the investments counterparty, not in the name of the district. The investment in Hancock Horizon Treasury Money Market Mutual Fund is uninsured and unregistered and is not backed by the full faith and credit of the federal government.

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

As of June 30, 2008, the district had the following investments:

Issuer	Fair Value	% of Total Investments
Rivers Hills Bank	\$ 494,573	64.04 %
Trustmark National Bank	151,879	19.67 %
Hancock Bank	125,846	16.30 %
	<u>\$ 772,298</u>	

CLAIBORNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2008

NOTE 3 - INTERFUND RECEIVABLES, PAYABLE AND TRANSFERS

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
General Fund	School Lunch Fund Title I Fund Other governmental funds Fiduciary Funds	\$ 216,757 155,748 209,300 242,694
School Lunch Fund	General Fund Fiduciary funds	8,177 2,320
Title I Fund	General Fund Fiduciary funds	14,663 3,500
Other governmental funds	General fund Fiduciary funds	140,835 14,506
Fiduciary funds	General Fund School Lunch Fund Title I Fund Other governmental funds	199,232 2,320 3,500 <u>53,720</u>
Total		\$ <u>1,267,272</u>

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

Interfund loans were mainly for negative cash balances in pooled bank accounts.

B. Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Fiduciary funds	\$ 1,000
Total		\$ <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.

CLAIBORNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2008

C. Interfund Transfers.

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
General Fund	School Lunch Fund	\$ 99,831
	Title I Fund	10,573
	Other Governmental Funds	318,832
School Lunch Fund	General Fund	70,000
Title I Fund	General Fund	20,000
Other Governmental Funds	General Fund	<u>119,233</u>
Total		<u>\$ 638,469</u>

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

NOTE 4 - RESTRICTED ASSETS

The restricted assets represent the cash and investment balance totaling \$42,680 and \$275,000 respectively, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. In addition the restricted assets represent the cash and investment balance totaling \$-, and \$125,846 respectively, of the MAEP Limited Obligation Bond/Note Fund and the cash and investment balance totaling \$684, and \$151,879 respectively, of the QZAB Bond Retirement Fund

CLAIBORNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2008

NOTE 5 - CAPITAL ASSETS

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

	Balance July 1, 2007	Additions	Retirements	Balance June 30, 2008
<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>473,980</u>
<u>Depreciable capital assets:</u>				
Buildings	11,858,760	-	-	11,858,760
Building improvements	215,190	-	-	215,190
Mobile equipment	1,577,197	-	(169,475)	1,407,722
Furniture and equipment	707,768	24,374	-	732,142
Leased property under capital lease	485,500	-	-	485,500
Total depreciable capital assets	<u>14,844,415</u>	<u>24,374</u>	<u>(169,475)</u>	<u>14,699,314</u>
<u>Less accumulated depreciation for:</u>				
Buildings	5,223,328	161,759	-	5,385,087
Building improvements	8,608	8,607	-	17,215
Mobile equipment	1,186,143	63,470	(149,828)	1,099,785
Furniture and equipment	515,103	69,107	-	584,210
Leased property under capital lease	131,070	43,690	-	174,760
Total accumulated depreciation	<u>7,064,252</u>	<u>346,633</u>	<u>(149,828)</u>	<u>7,261,057</u>
Total depreciable capital assets, net	<u>7,780,163</u>	<u>(322,259)</u>	<u>(19,647)</u>	<u>7,438,257</u>
Governmental activities capital assets, net	<u>\$ 8,254,143</u>	<u>(322,259)</u>	<u>(19,647)</u>	<u>\$ 7,912,237</u>

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 230,357
Support services	107,074
Non-instructional	<u>9,202</u>
Total depreciation expense	<u>\$ 346,633</u>

CLAIBORNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2008

NOTE 6 - LONG-TERM LIABILITIES

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

	Balance Jul. 1, 2007	Additions	Reductions	Balance June 30, 2008	Amounts due within one year
A. General obligation bonds payable	\$ 1,385,000	-	450,000	\$ 935,000	\$ 460,000
B. Limited obligation bonds payable	1,695,000	-	205,000	1,490,000	220,000
C. Obligations under capital lease	298,058	-	116,473	181,585	116,435
D. Shortfall note payable	324,242	326,768	151,161	499,849	184,318
E. Qualified zone academy bonds payable	900,000	-	-	900,000	-
F. Compensated absences payable	107,776	-	27,916	79,860	32,282
Total	<u>\$ 4,710,076</u>	<u>326,768</u>	<u>950,550</u>	<u>\$ 4,086,294</u>	<u>\$ 1,013,035</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	\$ 935,000
Total				<u>\$ 2,245,000</u>	<u>\$ 935,000</u>

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

Year Ending June 30	Principal	Interest	Total
2009	\$ 460,000	29,460	\$ 489,460
2010	475,000	15,200	490,200
Total	<u>\$ 935,000</u>	<u>44,660</u>	<u>\$ 979,660</u>

This debt will be retired from the debt service fund.

CLAIBORNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2008

The amount of bonded indebtedness that can be incurred by the school district is limited by Section 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2008, the amount of outstanding bonded indebtedness was equal to 4% of property assessments as of October 1, 2007.

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>1,490,000</u>
Total				\$ <u>2,660,000</u>	\$ <u>1,490,000</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	220,000	63,310	283,310
2010	225,000	57,296	282,296
2011	245,000	45,664	290,664
2012	255,000	33,289	288,289
2013	265,000	20,419	285,419
2014	280,000	6,930	286,930
Total	\$ <u>1,490,000</u>	<u>226,908</u>	\$ <u>1,716,908</u>

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, 2008

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.

C. Obligations under capital leases

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

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

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 116,435	8,246	\$ 124,681
2010	<u>65,150</u>	<u>2,125</u>	<u>67,275</u>
Total	<u>\$ 181,585</u>	<u>10,371</u>	<u>\$ 191,956</u>

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

D. Shortfall Note Payable

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate(s)</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
2007 Tax shortfall Note	7.75%	09/25/07	09/28/10	\$ 326,768	\$ 326,768
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>100,366</u>
Total				<u>\$ 787,073</u>	<u>\$ 499,849</u>

CLAIBORNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2008

Details of the district's June 30, shortfall notes payable are as follows:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 184,318	37,659	\$ 221,977
2010	198,180	23,797	221,977
2011	<u>117,351</u>	<u>9,221</u>	<u>126,572</u>
Total	<u>\$ 499,849</u>	<u>70,677</u>	<u>\$ 570,526</u>

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

E. Qualified zone academy bonds payable.

As more fully explained in Note 12, debt has been issued by the school district that qualifies as Qualified Zone Academy bonds. Debt currently outstanding is as follows:

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

NOTE 7 - DEFINED BENEFIT PENSION PLAN

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

CLAIBORNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2008

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 employer's rate for the fiscal year ending 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 \$1,034,550, \$1,044,850, and \$875,413, 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 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>
2009	\$ 180,954
2010	213,643
2011	133,540
2012	32,155
2013	839
2014 to 2018	4,160
2019 to 2023	4,355
2024 to 2028	<u>3,453</u>
	<u>\$ 573,099</u>

NOTE 9 - PRIOR PERIOD ADJUSTMENTS / EXHIBITS

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

Explanation

Reclassify fund equity - Understatement of prior year General fund expenditures and an overstatement of prior year Special Revenue fund expenditures. \$ (11,094)

CLAIBORNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2008

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

Explanation

Reclassify fund equity - Understatement of prior year General fund expenditures and an overstatement of prior year Special Revenue expenditures.

General funds	\$ (37,701)
Other governmental funds	<u>26,611</u>
Total	<u>\$ (11,090)</u>

NOTE 10 - LITIGATION

The following cases were outstanding against the Claiborne County School District at June 30, 2008:

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, The bench trial has been postponed until September 16, 2008. This matter has been settled.

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. Carolyn Hall v. Claiborne County School District

This matter involved a charge of discrimination based on gender. The EEOC issued a right to sue letter, but Ms. Hall did not pursue an action against the District within the prescribed time.

4. Dr. Daisy LaCour v. Claiborne County School District - (Federal court)

This matter involves a charge of discrimination based on gender. The EEOC issued a right to sue letter and Dr. LaCour file an action in federal court alleging among other things a Title VII claim. The matter is currently pending in the US District Court for the Southern District of MS. It is being handled by the District's insurance carrier. The court has dismissed Dr. LaCour's Title VII claim but is considering whether to allow her to amend the complaint to allege a breach of contract claim.

CLAIBORNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2008

5. Dr. Daisy LaCour v. Claiborne County School District - (State court)

This matter involves an appeal to the Chancery Court of Claiborne County by Dr. LaCour from an adverse determination by the Board of Education regarding her termination. The Chancery Court found against Dr. LaCour and she did not appeal the matter to the Supreme Court. This case is concluded.

6. Jessie Thurmond v. City of Port Gibson and Claiborne County School District

This is an action against the City of Port Gibson and the school district that alleged an injury that occurred on school property at a city function. The process in this matter was initially incorrectly served. The school district has since been served and a response has been filed on behalf of the school district by Sanders Law Firm. We have contacted the insurer for the City and at this time they have denied coverage with respect to the school district. This matter is currently in discovery.

7. Dr. Jo A. Smith v. Claiborne County School District

This matter involved a charge of discrimination based on gender. The EEOC issued a right to sue letter, but Dr. Smith did not pursue an action against the District within the prescribed time.

8. 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. This matter has been resolved.

9. Linda Johnson v. Claiborne County School District

This matter involved a personal injury claim wherein it is alleged that Ms. Johnson was hit by a vehicle owned by the School District and driven by a District employee. The matter was resolved in August, 2008.

10. Hattie Jones v. Claiborne County School District

This involved a charge of discrimination based on an alleged violation of the American Disabilities Act. The EEOC issued a right to sue letter, bur Ms. Jones did not pursue an action against the District within the prescribed time.

11. Deidra Parker v. Genetta Davis etal

This is an action which is pending in the Circuit Court of Claiborne County, MS wherein there is an allegation that the teacher employed excessive and impermissible corporal punishment. The case is presently in discovery.

CLAIBORNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
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 \$42,680. For a claim exceeding \$750,000, 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.

NOTE 12 - 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 rates 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 balance in the sinking fund at June 30, 2008 is 152,563 The following schedule reports the yearly deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2009	\$ 73,245
2010	73,245
2011	73,245
2012	73,245
2013	73,245
2014 - 2018	<u>219,735</u>
Total	<u>\$ 585,960</u>

CLAIBORNE COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

CLAIBORNE COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2008

	Budgeted Amounts			Variances Positive (Negative)	
	Original	Final	Actual (GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Local sources	\$ 5,195,611	4,495,744	4,179,123	(699,867)	\$ (316,621)
State sources	6,783,442	7,486,710	7,579,004	703,268	92,294
Federal sources	206,000	308,987	113,587	102,987	(195,400)
Total Revenues	<u>12,185,053</u>	<u>12,291,441</u>	<u>11,871,714</u>	<u>106,388</u>	<u>(419,727)</u>
Expenditures:					
Instruction	7,337,628	6,743,546	7,498,152	594,082	(754,606)
Support services	4,541,579	4,942,410	4,719,011	(400,831)	223,399
Noninstructional services	12,453	10,453	17,984	2,000	(7,531)
Facility acquisition and construction	-	48,140	-	(48,140)	48,140
Debt service:					
Principal	116,472	116,472	116,473	-	(1)
Interest	14,210	14,210	14,171	-	39
Other	21,518	-	-	21,518	-
Total Expenditures	<u>12,043,860</u>	<u>11,875,231</u>	<u>12,365,791</u>	<u>168,629</u>	<u>(490,560)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>141,193</u>	<u>416,210</u>	<u>(494,077)</u>	<u>275,017</u>	<u>(910,287)</u>
Other Financing Sources (Uses):					
Proceeds from loans	-	420,306	326,768	420,306	(93,538)
Sale of other property	-	-	3,818	-	3,818
Operating transfers in	307,162	102,000	209,233	(205,162)	107,233
Operating transfers out	(535,286)	(535,286)	(429,236)	-	106,050
Payment to Qualified Zone Academy Debt Escrow Agent	-	(21,518)	(19,019)	(21,518)	2,499
Other uses	-	(82,599)	(82,599)	(82,599)	-
Total Other Financing Sources (Uses)	<u>(228,124)</u>	<u>(117,097)</u>	<u>8,965</u>	<u>111,027</u>	<u>126,062</u>
Net Change in Fund Balances	<u>(86,931)</u>	<u>299,113</u>	<u>(485,112)</u>	<u>386,044</u>	<u>(784,225)</u>
Fund Balances:					
July 1, 2007	<u>2,525,304</u>	<u>2,525,304</u>	<u>2,333,148</u>	<u>-</u>	<u>(192,156)</u>
Prior period adjustments	<u>-</u>	<u>-</u>	<u>(37,701)</u>	<u>-</u>	<u>(37,701)</u>
June 30, 2008	<u>\$ 2,438,373</u>	<u>2,824,417</u>	<u>1,810,335</u>	<u>386,044</u>	<u>\$ (1,014,082)</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, 2008

	<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>
Revenues:					
Local sources	\$ 79,276	79,276	29,094	-	\$ (50,182)
State sources	5,500	5,500	5,353	-	(147)
Federal sources	<u>1,011,837</u>	<u>1,011,837</u>	<u>1,018,927</u>	-	<u>7,090</u>
Total Revenues	<u>1,096,613</u>	<u>1,096,613</u>	<u>1,053,374</u>	-	<u>(43,239)</u>
Expenditures:					
Support services	110,535	116,944	105,233	(6,409)	11,711
Noninstructional services	<u>915,452</u>	<u>915,455</u>	<u>902,898</u>	(3)	<u>12,557</u>
Total Expenditures	<u>1,025,987</u>	<u>1,032,399</u>	<u>1,008,131</u>	(6,412)	<u>24,268</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>70,626</u>	<u>64,214</u>	<u>45,243</u>	(6,412)	<u>(18,971)</u>
Other Financing Sources (Uses):					
Operating transfers in	-	-	99,831	-	99,831
Operating transfers out	<u>(70,000)</u>	<u>(70,000)</u>	<u>(70,000)</u>	-	-
Total Other Financing Sources (Uses)	<u>(70,000)</u>	<u>(70,000)</u>	<u>29,831</u>	-	<u>99,831</u>
Net Change in Fund Balances	<u>626</u>	<u>(5,786)</u>	<u>75,074</u>	(6,412)	<u>80,860</u>
Fund Balances:					
July 1, 2007	<u>149,549</u>	<u>149,549</u>	<u>173,257</u>	-	<u>23,708</u>
(Decrease) increase in reserve for inventory	-	-	<u>302</u>	-	<u>302</u>
June 30, 2008	<u>\$ 150,175</u>	<u>143,763</u>	<u>248,633</u>	(6,412)	<u>\$ 104,870</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, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ -	-	2,250	-	\$ 2,250
Federal sources	<u>807,132</u>	<u>807,132</u>	<u>762,279</u>	-	<u>(44,853)</u>
Total Revenues	<u>807,132</u>	<u>807,132</u>	<u>764,529</u>	-	<u>(42,603)</u>
Expenditures:					
Instruction	416,696	366,701	348,008	49,995	18,693
Support services	274,268	350,023	407,094	(75,755)	(57,071)
Noninstructional services	<u>96,168</u>	<u>96,171</u>	-	(3)	<u>96,171</u>
Total Expenditures	<u>787,132</u>	<u>812,895</u>	<u>755,102</u>	<u>(25,763)</u>	<u>57,793</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>20,000</u>	<u>(5,763)</u>	<u>9,427</u>	<u>(25,763)</u>	<u>15,190</u>
Other Financing Sources (Uses):					
Operating transfers in	-	-	10,573	-	10,573
Operating transfers out	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>	-	-
Total Other Financing Sources (Uses)	<u>(20,000)</u>	<u>(20,000)</u>	<u>(9,427)</u>	-	<u>10,573</u>
Net Change in Fund Balances	<u>-</u>	<u>(25,763)</u>	<u>-</u>	<u>(25,763)</u>	<u>25,763</u>
Fund Balances:					
July 1, 2007	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
June 30, 2008	<u>\$ -</u>	<u>(25,763)</u>	<u>-</u>	<u>(25,763)</u>	<u>\$ 25,763</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, 2008

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, 2008

<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:		
Child Nutrition Cluster		
School Breakfast Program	10.553	\$ 308,126
National School Lunch Program	10.555	710,801
Summer Food Service Program for Children	10.559	69,345
Total Child Nutrition Cluster		<u>1,088,272</u>
Child and Adult Care Food Program	10.558	<u>22,884</u>
Total U.S. Department of Agriculture		<u>1,111,156</u>
<u>U. S. Department of Labor</u>		
Passed-through Mississippi Department of Education		
Employment services and job training - pilot and demonstration programs	17.249	<u>130,084</u>
Total U.S. Department of Labor		<u>130,084</u>
<u>U. S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	762,279
Career and technical education - basic grants to states	84.048	31,449
Safe and drug-free schools and communities - state grants	84.186	19,225
State grants for innovative programs	84.298	2,513
Education technology state grants	84.318	20,734
Rural education	84.358	68,542
Improving Teacher Quality - state grants	84.367	170,402
Grant for state assessments and related activities	84.369	21,146
Total		<u>1,096,290</u>

CLAIBORNE COUNTY SCHOOL DISTRICT
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2008

<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	\$ 368,638
Special education - preschool grants	84.173	<u>12,424</u>
Total Special education cluster		<u>381,062</u>
Total passed-through Mississippi Department of Education		<u>1,477,352</u>
Total U.S. Department of Education		<u>1,477,352</u>
U. S. Department of Defense		
Direct Program:		
Reserve Officer Training Program	12.XXX	<u>47,256</u>
Total U. S. Department of Defense		<u>47,256</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>66,331</u>
Total Federal Communications Commission		<u>66,331</u>
TOTAL FOR ALL FEDERAL AWARDS		<u>\$ 2,832,179</u>

CLAIBORNE COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
Notes to Schedule
For the Year Ended June 30, 2008

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, 2008

<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	\$ 12,741,327	9,456,660	678,793	793,689	\$ 1,812,185
Other	<u>4,116,594</u>	<u>953,244</u>	<u>244,992</u>	<u>26,626</u>	<u>2,891,732</u>
Total	<u>\$ 16,857,921</u>	<u>10,409,904</u>	<u>923,785</u>	<u>820,315</u>	<u>\$ 4,703,917</u>
Total number of students*	1,741				
Cost per student	\$ 9,683	\$ 5,979	\$ 531	471	\$ 2,702

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

*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

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

	'UNAUDITED'			
	<u>2006</u>	<u>2007*</u>	<u>2006*</u>	<u>2005*</u>
Revenues				
Local sources	\$ 4,179,123	4,151,158	4,159,491	\$ 4,060,538
State sources	7,579,004	7,169,465	6,452,238	6,285,396
Federal sources	<u>113,587</u>	<u>91,147</u>	<u>68,979</u>	<u>117,312</u>
Total Revenue	<u>11,871,714</u>	<u>11,411,770</u>	<u>10,680,708</u>	<u>10,463,246</u>
Expenditures:				
Instruction	7,498,152	7,106,842	6,553,507	6,676,492
Support services	4,719,011	4,325,362	4,075,760	4,469,118
Noninstructional services	17,984	6,432	8,939	6,152
Debt services				
Principal	116,473	118,462	106,290	53,529
Interest	<u>14,171</u>	<u>20,538</u>	<u>26,951</u>	<u>18,712</u>
Total Expenditures	<u>12,365,791</u>	<u>11,577,636</u>	<u>10,771,447</u>	<u>11,224,003</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(494,077)</u>	<u>(165,866)</u>	<u>(90,739)</u>	<u>(760,757)</u>
Other Financing Sources (Uses):				
Proceeds from loan	326,768	251,527	-	208,778
Inception of capital lease	-	-	-	500,000
Sale of other property	3,818	1,045	40	900
Operating transfers in	209,233	600,718	1,020,393	2,268,378
Operating transfers out	<u>(429,236)</u>	<u>(847,996)</u>	<u>(527,255)</u>	<u>(1,345,010)</u>
Payment to Qualified Zone Academy Debt Escrow Agent	<u>(19,019)</u>	<u>(17,908)</u>	-	-
Other uses	<u>(82,599)</u>	-	-	-
Total Other Financing Sources (Uses)	<u>8,965</u>	<u>(12,614)</u>	<u>493,178</u>	<u>1,633,046</u>
Net Change in Fund Balances	<u>(485,112)</u>	<u>(178,480)</u>	<u>402,439</u>	<u>872,289</u>
Fund Balances:				
July 1,	2,333,148	2,603,120	2,196,505	1,325,478
Prior period adjustment,	<u>(37,701)</u>	<u>(91,492)</u>	<u>4,176</u>	<u>(1,262)</u>
July 1, as restated	<u>2,295,447</u>	<u>2,511,628</u>	<u>2,200,681</u>	<u>1,324,216</u>
June 30,	<u>\$ 1,810,335</u>	<u>2,333,148</u>	<u>2,603,120</u>	<u>\$ 2,196,505</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

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

'UNAUDITED'

	<u>2008</u>	<u>2007*</u>	<u>2006*</u>	<u>2005*</u>
Revenues				
Local sources	4,813,798	4,840,092	4,786,376	4,627,850
Intermediate sources	-	-	-	8,615
State sources	8,459,409	8,053,800	7,044,112	6,911,214
Federal sources	2,832,179	2,743,111	3,054,832	2,785,780
Sixteen section sources	<u>444,422</u>	<u>412,528</u>	<u>181,006</u>	<u>452,607</u>
Total Revenue	<u>16,549,808</u>	<u>16,049,531</u>	<u>15,066,326</u>	<u>14,786,066</u>
Expenditures:				
Instruction	8,933,927	8,798,494	8,463,799	8,017,147
Support services	5,858,528	5,336,623	4,931,363	5,671,429
Noninstructional services	967,143	993,791	995,109	1,006,836
Sixteen section	17,379	10,416	17,877	34,065
Facilities acquisition and construction	-	215,190	-	-
Debt services				
Principal	922,634	934,871	765,997	2,831,108
Interest	156,026	181,635	200,447	266,310
Other	<u>2,284</u>	<u>2,880</u>	<u>29,996</u>	<u>64,984</u>
Total Expenditures	<u>16,857,921</u>	<u>16,473,900</u>	<u>15,404,588</u>	<u>17,891,879</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(308,113)</u>	<u>(424,369)</u>	<u>(338,262)</u>	<u>(3,105,813)</u>
Other Financing Sources (Uses):				
Proceeds from loan	326,768	251,527	900,000	208,778
Proceeds from refunding bond	-	-	-	2,245,000
Inception of capital lease	-	-	-	539,392
Payment held by escrow agent	73,151	72,501	-	-
Sale of other property	3,818	1,045	40	900
Operating transfers in	638,469	948,718	1,564,123	2,758,617
Operating transfers out	(638,469)	(948,718)	(1,564,123)	(2,758,617)
Payment to Qualified Zone Academy				
Debt Escrow Agent	(73,151)	(72,501)	-	-
Other uses	<u>(82,599)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (uses)	<u>247,987</u>	<u>252,572</u>	<u>900,040</u>	<u>2,994,070</u>
Net Change in Fund Balances	<u>(60,126)</u>	<u>(171,797)</u>	<u>561,778</u>	<u>(111,743)</u>
Fund Balances:				
July 1	5,126,386	5,381,472	4,800,918	4,922,175
Prior period adjustment,	<u>(11,090)</u>	<u>(85,306)</u>	<u>18,080</u>	<u>(1,262)</u>
July 1, as restated	<u>5,115,296</u>	<u>5,296,166</u>	<u>4,818,998</u>	<u>4,920,913</u>
Increase (Decrease) in reserve for inventory	<u>302</u>	<u>2,017</u>	<u>696</u>	<u>(8,252)</u>
June 30,	<u>\$ 5,055,472</u>	<u>\$ 5,126,386</u>	<u>\$ 5,381,472</u>	<u>\$ 4,800,918</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

CLAIBORNE COUNTY SCHOOL DISTRICT

REPORTS ON INTERNAL CONTROLS 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, 2008, which collectively comprise the Claiborne County School District's basic financial statements and have issued our report thereon dated July 22, 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 2008-1 and 2008-2 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 material weaknesses. However, of the significant deficiencies described above, we consider Finding 2008-2 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 disclosed no 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 July 22, 2009, which is included in this report.

Claiborne County School District's responses to the findings identified in our audit are described in the accompanying Responses to Audit Findings. We did not audit Claiborne County School District's responses 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.

Burns, Finley, White & Co.

July 22, 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, 2008. The Claiborne 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, 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, 2008.

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 Claiborne 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 and 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.

Bones, Filly, White & C.C.

July 22, 2009

CLAIBORNE COUNTY SCHOOL DISTRICT

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



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, 2008, which collectively comprise the Claiborne County School District's basic financial statements, and have issued our report thereon dated July 22, 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(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 \$39,328 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 37-9-18(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 stat 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 bond for the purchasing agent could not be found and bond for a board member was not recorded and on file in the Chancery Clerk's Office as required by Sections 37-39-21 and 25-1-19, Miss. Code Ann. (1972).

Recommendation

The district should comply with sections 37-39-21 and 25-9-19, Miss. Code Ann. (1972), which requires a bond in the amount of \$50,000 for the purchasing agent to be in place and bonds to be recorded and on file at the Chancery Clerk's Office.

School District's Response

The District shall comply with Sections 37-39-21 and 35-1-19, Miss. Code Ann. (1972). Required bonds were secured prior to audit. The District has developed a tickler system to ensure that all bonds are kept current. Additionally, a verification system, signed off on by Chancery Clerk Personnel, has been put in place to ensure that all bonds are on file at the Chancery Clerk's office as required.

2. Finding

The District did not present documentation for a sole source purchase, nor did the District present the solicitation for bids for the two items. 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 (Repeat Finding)

During our testwork reemployed retirees, we found that the District did not file the appropriate form (Form 4-B) with PERS for two reemployed retirees and the District paid a reemployed retiree more than allowed by law.

Recommendation

We recommend that the District file the appropriate form(s) with Public Employee's Retirement System of Mississippi for the reemployment of retirees as required by Section 25-11-127.

School District's Response

The District shall comply with Section 25-11-127. re-employed employees who work in dual capacities (as was the case with the cited retiree) will be required to complete separate PERS form 4B for each employment capacity. Additionally, total annual earnings will be monitored all retirees monthly to ensure that none earn above allowed amounts.

5. Finding

During our testwork of the Sixteenth Section lease payments, we noted that two lease payments were in default in excess of sixty days. This matter was not presented to the Board so that the leases could be terminated or continued if the Board found extenuating circumstances present. This is a requirement by Section 29-3-57.

Recommendation

We recommend that Claiborne County School District establish policies to ensure compliance with Section 29-3-57.

School District's Response

The Claiborne County School District will review current policy relating to the payment of Sixteenth Section lease payments under Section 29-3-57. Revisions/amendments (if necessary) will be presented to the Board of Trustees for adoption. The Sixteenth Section Manager will develop a tickler system to ensure that payments in default are presented to the board for disposition in accordance with Section 29-3-57 and Board policy.

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.

The Claiborne 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.

Banks, Finley, White & Co.

July 22, 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, 2008

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

4.	Type of auditor's report issued on compliance for major federal programs	Unqualified
5.	Internal control over major programs:	
	a. Material weakness(es) identified?	No
	b. Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
6.	Any audit findings reported as required by Section __.510(a) of Circular A-133?	No
7.	Federal programs identified as major programs:	
	a. Cluster: Child Nutrition CFDA #10.553 CFDA #10.555 CFDA #10.559	
	b. CFDA #84.010, Title I Grants to Local Educational Agencies	
8.	The dollar threshold used to distinguish between type A and type B programs:	\$300,000
9.	Auditee qualified as a low-risk auditee?	No
10.	Prior fiscal year audit findings and questioned cost relative to federal awards which would require auditee to prepare a summary schedule of prior audit findings as discussed in Section____.315(b) of OMB Circular A-133?	No

CLAIBORNE COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

Section 2: Findings Relating to the Financial Statements

2008-1 Finding

Significant deficiency not considered a material weakness.

Although the school district follows the policies and procedures outlined in the "State of Mississippi Financial Accounting Manual for Mississippi Public Schools", the district does not have an up-to-date written manual of accounting policies and procedures. The purpose of such a manual is to ensure that proper accounting principles are being applied, that similar transactions are treated consistently, and that financial reports are produced in the form desired by management. A well-written accounting manual will aid in the training of new employees and will assist management in delegating and segregating duties. The manual should include:

- An organization chart.
- Job descriptions, outlining duties and responsibilities.
- Description of methods, procedures and accounting principles to be followed including explanations and examples of principle transactions
- A chart of accounts with detailed explanations of items to be included therein, (Included in state manual).
- Any other documents or forms for which uniformity of use is desired.

Cause

The district has not developed a policy and procedures manual that reflects the actual policies and accounting procedures used by the district.

Effect

The actual policies and procedures followed by the district are not in writing.

Criteria

OMB Common Rule Section 20:Standards for financial management systems, Part b (3), states that "Effective control and accountability must be maintained" .

Recommendation

We recommend that the district develop a comprehensive accounting policies and procedures manual.

2008-2 Finding (Repeat Finding)

Significant deficiencies considered a material weakness.

During our audit of the general Activity/club fund receipts of Claiborne County School District, we found the following internal control weaknesses:

- a. Bank deposits were not being made in a timely manner
- b. Receipts were not prepared for all activity funds received.

CLAIBORNE COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

- c. The ending number of tickets sold or the ticket numbers for tickets returned are not recorded on the Activity Accountability Sheets.
- d. Athletic fund receipts did not agree with the amount of pre-numbered tickets sold for one football games.

Cause

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

Effect

Weakness in administrative control procedures over student activity 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*.

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, 2008:



Claiborne County School District

Annie Kilcrease, Ph.D., Superintendent

Office of Business and Finance

Wanda C. Fleming, MBA, Business Manager
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Board of Education:
Janice Gray, President
Josie McClorine, Vice-President
Johnny Brown, Secretary
Adell Watts, Member
Addie Harvey, Member

13 July 2009

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

Dear Mr. Brown:

Please find below responses to audit findings 2008-1 and 2008-2.

Findings Relating to the Financial Statements

Responses

2008-1

Finding

Significant efficiency not considered a material weakness

Although the school district follows the policies and procedures outlined in the "State of Mississippi Financial Accounting Manual for Mississippi Public Schools", the district does not have an up-to-date written manual of accounting policies and procedures. The purpose of such a manual is to ensure that proper accounting principles are being applied, that similar transactions are treated consistently, and that financial reports are produced in the form desired by management. A well-written accounting manual will aid in the training of new employees and will assist management in delegating and segregating duties. The manual should include:

- An organization chart
- Job descriptions outlining duties and responsibilities
- Descriptions of methods, procedures and accounting principles to be followed including explanations and examples of principle transactions
- A chart of accounts with detailed explanations of items to be included therein, (Included in state manual)
- Any other documents or forms for which uniformity of use is Desired

Cause

The district has not developed a policy and procedures manual that reflects the actual policies and accounting procedures used by the district.

Effect

The actual policies and procedures followed by the district are not in writing.

Criteria

OMB Common Rule Section 20:Standards for financial management systems, Part b(3), states that "Effective control and accountability must be maintained."

Recommendation

We recommend that the district develop a comprehensive accounting policies and procedures manual.

Response

The district will develop and implement a comprehensive accounting policies and procedures manual by October 1, 2009. Guidance provided in OMB Common Rule Section 20:Standards for financial management systems, Part b(3) will be adhered to in the formation of the district's accounting policies and procedures manual.

2008-2

Finding

Significant deficiencies considered a material weakness.

During our audit of the general Activity/club fund receipts of Claiborne County School District, we found the following internal control weaknesses:

- a. Bank deposits were not being made in a timely manner
- b. Receipts were not prepared for all activity funds received
- c. The ending number of tickets sold or the ticket numbers for tickets returned are not recorded on the Activity Accountability Sheets.
- d. Athletic fund receipts did not agree with the amount of pre-numbered tickets sold for one football game.

Cause

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

Effect

Weakness in administrative control procedures over student activity funds.

Criteria

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

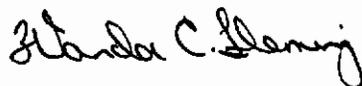
Recommendation

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*.

Response

The district will develop and implement internal administrative control procedures to ensure that student activity funds are safeguarded by October 1, 2009. These policies and procedures will be an integral part of the Comprehensive Accounting Policies and Procedures Manual that will likewise be implemented by October 1, 2009. Guidance provided in the Financial Accounting Manual for Mississippi Public School Districts will be utilized in the development, implementation and monitoring of internal administrative control procedures that will ensure that student activity funds are safeguarded.

Thank you.



Wanda C. Fleming
Business Manager

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

As required by Section .315(b) of OMB Circular A-133, the Claiborne County School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2008 :

<u>Finding</u>	<u>Status</u>
2007-1	Corrective action was taken
2007-2	Corrective action was not taken
2007-3	Corrective action was not taken