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CLAIBORNE COUNTY SCHOOL DISTRICT  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

CLAIBORNE COUNTY SCHOOL DISTRICT  
June 30, 2011

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INDEPENDENT AUDITOR'S REPORT

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, 2011, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Claiborne County School District, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2012, on our consideration of the Claiborne County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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 other 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 do not express an opinion or provide any assurance on it.

*Bane, Family, White & Co.*  
February 24, 2012

CLAIBORNE COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

CLAIBORNE COUNTY SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2011

The following discussion and analysis of Claiborne County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

### Financial Highlights

- Total net assets for 2011 increased \$1,725,162, including a prior period adjustment of \$(54,200) which represents a 18.04% increase from fiscal year 2010. Total net assets for 2010 increased \$815,957, including a prior period adjustment of \$746, which represents a 9.33% decrease from fiscal year 2009.
- General revenues account for \$15,679,769 and \$ 13,804,834 , or 82% and 77% of all revenues for fiscal years 2011 and 2010, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,488,646 or 18% of total revenues for 2011, and \$4,125,245 or 23.01% of total revenues for 2010.
- The District had \$17,389,053 and \$17,113,376 in expenses for fiscal years 2011 and 2010; only \$3,488,646 for 2011 and \$4,125,245 for 2010 of these expenses was offset by program specific charges for services and grants and contributions. General revenues of \$15,679,769 for 2011 and \$13,804,834 for 2010 were adequate to provide for these programs.
- Among major funds, the General Fund had \$10,552,204 in revenues and \$10,667,469 in expenditures for 2011, and \$11,107,249 in revenues and \$11,730,310 in expenditures in 2010. The General Fund's fund balance decreased by \$5,724 from 2010 to 2011, and increased by \$194,117 from 2009 to 2010.
- Capital assets, net of accumulated depreciation, decreased by \$203,584 for 2011 and decreased by \$247,067 for 2010. The decrease for 2011 was due to the disposal of furniture and equipment and property under capital lease coupled with the increase in accumulated depreciation.
- Long-term debt decreased by \$284,270 for 2011 and decreased by \$833,535 for 2010. This decrease for 2011 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$25,615 for 2011 and decreased by \$8,695 for 2010.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the District's basic financial statements which include government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains required supplemental information, supplemental information, and other information.

**Government-wide financial statements** - The government-wide financial statements are designed to provide the reader with a broad overview of the District's finances. These statements consist of the Statement of Net Assets and the Statement of Activities, which are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets presents information on all the District's nonfiduciary assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the District's net assets may serve as a useful indicator of whether its financial position is improving or deteriorating.

CLAIBORNE COUNTY SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2011

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 periods.

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.

**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** - Most of the District's general activities are reported in its governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds are accounted for using the modified accrual basis of accounting and the flow of current financial resources measurement focus. The approach focuses on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at year end. The governmental fund statements provide a detailed view of the District's near-term financing requirements.

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, the reader may gain a better understanding of the long-term impact of the District's near-term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Assets, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

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 funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All non-major funds are combined and presented in these reports as other governmental funds.

**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. These funds are reported using the accrual basis of accounting. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

CLAIBORNE COUNTY SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2011

**Reconciliation of Government-wide and Fund Financial Statements**

The financial statements include two schedules that reconcile the amounts reported on the governmental funds financial statements (modified accrual basis of accounting) with government-wide financial statements (accrual basis of accounting). The following summarizes the major differences between the two statements:

- Capital assets used in governmental activities are not reported on governmental funds financial statements.
- Capital outlay spending results in capital assets on government-wide financial statements, but is reported as expenditures on the governmental funds financial statements.
- Bond and note proceeds result in liabilities on government-wide financial statements, but are recorded as other financing sources on the governmental funds financial statements.
- Certain other outflows represent either increases or decreases in liabilities on the government-wide financial statements, but are reported as expenditures on the governmental funds financial statements.

**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 immediately following the basic financial statements.

**Required Supplemental Information** - In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplemental information. 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 as required by the Governmental Accounting Standards Board.

**Supplemental Information** - Additionally, a Schedule of Expenditures of Federal Awards as required by OMB Circular A-133 and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

**Other Information** - Although not a required part of the basic financial statements, 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.

**Government-wide Financial Analysis**

**Net assets** - Net assets may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$11,288,110 as of June 30, 2011.

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, 2011

Table 1 presents a summary of the District's net assets at June 30, 2011 and 2010.

Table 1			
<u>Condensed Statement of Net Assets</u>			
	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Current assets	\$ 5,981,312	\$ 4,451,675	34.36 %
Restricted assets	898,804	837,955	7.26 %
Capital assets, net	<u>7,475,337</u>	<u>7,678,921</u>	(2.65)%
Total assets	<u>14,355,453</u>	<u>12,968,551</u>	10.69 %
Current liabilities	296,706	325,081	(8.73)%
Long-term debt outstanding	<u>2,770,637</u>	<u>3,080,522</u>	(10.06)%
Total liabilities	<u>3,067,343</u>	<u>3,405,603</u>	(9.93)%
<b>Net assets</b>			
Invested in capital assets, net of related debt	5,628,887	5,487,441	2.58 %
Restricted	5,209,624	3,596,488	44.85 %
Unrestricted	<u>449,599</u>	<u>479,019</u>	(6.14)%
Total net assets	<u>\$ 11,288,110</u>	<u>\$ 9,562,948</u>	18.04 %

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

Increase in total current assets in the amount of	\$ 1,529,637
Increase in restricted assets in the amount of	\$ 60,849
Decrease in current liabilities in the amount of	\$ 28,375
Decrease in long-term liabilities in the amount of	\$ 309,885

CLAIBORNE COUNTY SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2011

**Changes in net assets** - The District's total revenues for the fiscal year ended June 30, 2011 and June 30, 2010 were \$19,168,415 and \$17,930,079 respectively. The total cost of all programs and services was \$17,389,053 for 2011 and \$17,113,376 for 2010 .

Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2011 and 2010.

Table 2 Change in Net Assets			
	Year Ended JUNE 30, 2011	Year Ended JUNE 30, 2010	Percentage Change
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 227,469	\$ 337,240	(32.55)%
Operating grants and contributions	3,261,177	3,647,982	(10.60)%
Capital grants and contributions	-	140,023	(100.00)%
General revenues:			
Property taxes	6,214,932	5,341,963	16.34 %
Grants and contributions not restricted	7,970,388	7,517,275	6.03
Other	1,494,449	945,596	58.04
Total revenues	19,168,415	17,930,079	6.91 %
<b>Expenses:</b>			
Instruction	9,858,246	9,796,393	0.63 %
Support services	5,920,935	5,943,856	(0.39)%
Non-instructional	1,428,662	1,059,691	34.82 %
Sixteenth section	94,491	163,097	(42.06)%
Interest and other expense on long-term liabilities	86,719	150,339	(42.32)%
Total expenses	17,389,053	17,113,376	1.61 %
Increase (Decrease) in net assets	1,779,362	816,703	117.87 %
Net Assets, July 1, as original reported	9,562,948	8,746,991	9.33 %
Prior period adjustment	(54,200)	(746)	7,165.42 %
Net Assets July 1, as restated	9,508,748	8,746,245	8.72 %
Net Assets, June 30	\$ 11,288,110	\$ 9,562,948	18.04 %

CLAIBORNE COUNTY SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2011

**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 functional activity's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost presents the financial burden that was placed on the State and District's taxpayers by each of these functions.

Table 3  
Net Cost of Governmental Activities  
Total Expenses

	2011	2010	Percentage Change
Instruction	\$ 9,858,246	\$ 9,796,393	0.63 %
Support services	5,920,935	5,943,856	(0.39)%
Non-instructional	1,428,662	1,059,691	34.82 %
Sixteenth section	94,491	163,097	(42.06)%
Interest on long-term liabilities	86,719	150,339	(42.32)%
Total expenses	<u>\$17,389,053</u>	<u>\$ 17,113,376</u>	<u>1.61 %</u>

	2011	2010	Percentage Change
Instruction	\$ (6,597,069)	\$ (8,447,237)	(21.90)%
Support services	(5,714,143)	(4,630,954)	23.39 %
Non-instructional	(1,407,985)	295,032	(577.23)%
Sixteenth section	(94,491)	(54,633)	72.96 %
Interest on long-term liabilities	(86,719)	(150,339)	(42.32)%
Total net (expense) revenue	<u>\$13,900,407</u>	<u>\$12,988,131</u>	<u>7.02 %</u>

Net cost of governmental activities (\$13,900,407 for 2011 and \$12,988,131 for 2010), was financed by general revenue, which is primarily made up of property taxes (\$6,214,932 for 2011 and \$5,341,963 for 2010) and state and federal revenue (\$7,970,388 for 2011 and \$7,517,275 for 2010). In addition, there was \$1,297,249 and \$868,351 in Sixteenth Section sources for 2011 and 2010, respectively.

Investment earnings amounted to \$30,140 for 2011 and \$57,772 for 2010.

### 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, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

CLAIBORNE COUNTY SCHOOL DISTRICT  
 Management's Discussion and Analysis  
 For the Year Ended June 30, 2011

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 \$6,615,244, an increase of \$1,595,623 which includes a prior period adjustment of \$(54,200), and an increase in inventory of \$12,068. \$1,373,785 or 20.77% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$5,241,459 or 79.23% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$5,724. The fund balance of Other Governmental Funds showed an increase in the amount of \$875,392, which includes a prior period adjustment of \$8,736 and an increase in reserve for inventory of \$12,068, due primarily to increase in advalorem taxes for debt services and a decrease in sixteen section interest transfers out. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
ARRA School Improvement Fund	no increase or decrease
Title I Fund	no increase or decrease
Sixteenth Section Interest-Claiborne Fund	\$ 714,507

**Budgetary Highlights**

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and use of funding for the School District.

- ◆ Budgeted amounts for revenues from local sources in the General Fund were increased due to increase receipts from special activities and ad valorem taxes.
- ◆ 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 decreased due to 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 supplemental information.

CLAIBORNE COUNTY SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2011

**Capital Assets and Debt Administration**

**Capital Assets** - As of June 30, 2011, the District's total capital assets were \$15,593,998, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$53,278 from 2010. Total accumulated depreciation as of June 30, 2011 was \$8,118,661, and total depreciation expense for the year was \$308,169, resulting in total net capital assets of \$7,475,337.

	Table 4 Capital Assets		Percentage Change
	Net of Accumulated Depreciation		
	June 30, 2011	June 30, 2010	
Land	\$ 473,980	\$ 473,980	- %
Buildings	5,986,361	6,148,118	(2.63)%
Building improvements	172,155	180,763	(4.76)%
Mobile equipment	329,190	210,579	56.33 %
Furniture and equipment	116,317	154,631	(24.78)%
Leased property under capital leases	397,334	510,850	(22.22)%
Total	<u>\$ 7,475,337</u>	<u>\$ 7,678,921</u>	(2.65)%

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

**Debt Administration** - At June 30, 2011, the District had \$2,770,637 in outstanding long-term debt, of which \$760,464 is due within one year. The liability for compensated absences decreased by \$25,615 from the prior year.

	Table 5 Outstanding Long-Term Debt		Percentage Change
	June 30, 2011	June 30, 2010	
Limited Obligation bonds payable	\$ 800,000	\$ 1,045,000	(23.44)%
Shortfall note payable	832,570	771,810	7.87 %
Obligations under capital lease	146,450	246,480	(40.58)%
Qualified zone academy bonds payable	900,000	900,000	- %
Compensated absences payable	91,617	117,232	(21.85)%
Total	<u>\$ 2,770,637</u>	<u>\$ 3,080,522</u>	(10.06)%

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

CLAIBORNE COUNTY SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2011

**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. 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.

The District actively pursues grant funding to supplement the local, state and federal revenues.

Enrollment for the 2010-2011 year decreased by 1.40% to 1,730 students.

**Contacting the District's Financial Management**

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

CLAIBORNE COUNTY SCHOOL DISTRICT  
FINANCIAL STATEMENTS

CLAIBORNE COUNTY SCHOOL DISTRICT  
Statement of Net Assets  
June 30, 2011

EXHIBIT A

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 4,053,519
Investments	204,187
Due from other governments	1,575,399
Other receivables, net	125,171
Inventories	23,036
Restricted assets	898,804
Capital assets, non-depreciable	
Land	473,980
Capital assets, net of accumulated depreciation	
Buildings	5,986,361
Building improvements	172,155
Mobile equipment	329,190
Furniture and equipment	116,317
Leased property under capital leases	<u>397,334</u>
<b>Total Assets</b>	<u><b>14,355,453</b></u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	233,471
Unearned revenue	31,401
Interest payable on long-term liabilities	31,834
Long-term liabilities, due within one year	
Capital related liabilities	311,449
Noncapital related liabilities	449,015
Long-term liabilities, due beyond one year	
Capital related liabilities	1,535,001
Noncapital related liabilities	<u>475,172</u>
<b>Total Liabilities</b>	<u><b>3,067,343</b></u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	5,628,887
Restricted for:	
Expendable:	
School-based activities	3,182,299
Debt service	807,004
Capital improvements	322,845
Forestry improvements	515,024
Unemployment benefits	37,603
Nonexpendable:	
Sixteenth section	344,849
Unrestricted	<u>449,599</u>
<b>Total Net Assets</b>	<u><b>\$ 11,288,110</b></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, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 9,858,246	\$ -	\$ 3,261,177	\$ -	\$ (6,597,069)
Support services	5,920,935	206,792	-	-	(5,714,143)
Non-instructional	1,428,662	20,677	-	-	(1,407,985)
Sixteenth section	94,491	-	-	-	(94,491)
Interest on long-term liabilities	86,719	-	-	-	(86,719)
<b>Total Governmental Activities</b>	<b><u>\$ 17,389,053</u></b>	<b><u>\$227,469</u></b>	<b><u>\$ 3,261,177</u></b>	<b><u>\$ -</u></b>	<b><u>(13,900,407)</u></b>
General Revenues:					
Taxes:					
					4,640,049
					1,574,883
Unrestricted grants and contributions:					
					7,909,527
					60,861
					30,140
					1,297,249
					167,060
					<u>15,679,769</u>
Change in Net Assets					
					<u>1,779,362</u>
Net Assets - Beginning, as originally reported					
					9,562,948
					<u>(54,200)</u>
Net Assets - Beginning - as restated					
					<u>9,508,748</u>
Net Assets - Ending					
					<u>\$ 11,288,110</u>

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

CLAIBORNE COUNTY SCHOOL DISTRICT  
Governmental Funds  
Balance Sheet  
June 30, 2011

	Major Funds					Total Governmental Funds
	General Fund	ARRA School Improvement Fund	Title I Fund	Sixteenth Section Interest-Claiborne Fund	Other Governmental Funds	
<b>ASSETS</b>						
Cash and cash equivalents	\$ 74,210	\$ -	\$ -	\$ 1,366,609	\$ 2,682,550	\$ 4,123,369
Cash with fiscal agent	-	-	-	-	244	244
Investments	-	-	-	-	1,032,898	1,032,898
Due from other governments	689,599	253,385	134,869	-	497,547	1,575,400
Other receivables, net	-	-	-	-	-	-
Due from other funds	822,713	1,655	4,822	1,650	85,673	916,513
Inventories	-	-	-	-	23,036	23,036
<b>Total Assets</b>	<b>\$ 1,586,522</b>	<b>\$ 255,040</b>	<b>\$ 139,691</b>	<b>\$ 1,368,259</b>	<b>\$ 4,321,948</b>	<b>\$ 7,671,460</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES:</b>						
Accounts payable and accrued liabilities	\$ 119,969	\$ 2,392	\$ 1,000	\$ 13,791	\$ 35,127	\$ 172,279
Due to other funds	92,768	252,648	138,691	6,607	361,822	852,536
Unearned revenue	-	-	-	-	31,401	31,401
<b>Total Liabilities</b>	<b>212,737</b>	<b>255,040</b>	<b>139,691</b>	<b>20,398</b>	<b>428,350</b>	<b>1,056,216</b>
<b>Fund Balances:</b>						
<b>Nonspendable:</b>						
Inventory	-	-	-	-	23,036	23,036
Permanent fund principal	-	-	-	-	344,849	344,849
<b>Restricted:</b>						
Debt service	-	-	-	-	838,837	838,837
Capital projects	-	-	-	-	322,845	322,845
Forestry improvement purposes	-	-	-	-	515,024	515,024
Unemployment benefits	-	-	-	-	37,603	37,603
Other purposes	-	-	-	1,347,861	1,811,404	3,159,265
Unassigned	1,373,785	-	-	-	-	1,373,785
<b>Total Fund Balances</b>	<b>1,373,785</b>	<b>-</b>	<b>-</b>	<b>1,347,861</b>	<b>3,893,598</b>	<b>6,615,244</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,586,522</b>	<b>\$ 255,040</b>	<b>\$ 139,691</b>	<b>\$ 1,368,259</b>	<b>\$ 4,321,948</b>	<b>\$ 7,671,460</b>

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

CLAIBORNE COUNTY SCHOOL DISTRICT  
 Governmental Funds  
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets  
 June 30, 2011

Total Fund Balances for Governmental Funds		\$ 6,615,244
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Land	\$ 473,980	
Buildings	11,848,577	
Building improvements	215,190	
Mobile equipment	1,534,545	
Furniture and equipment	746,830	
Leased property under capital leases	774,876	
Accumulated depreciation	<u>(8,118,661)</u>	7,475,337
2. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
Limited obligation bonds	(800,000)	
Notes payable	(832,570)	
Capital lease obligations	(146,450)	
Qualified zone academy bonds payable	(900,000)	
Compensated absences	(91,617)	
Accrued interest payable	<u>(31,834)</u>	<u>(2,802,471)</u>
Net Assets of Governmental Activities		\$ <u>11,288,110</u>

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

CLAIBORNE COUNTY SCHOOL DISTRICT  
Governmental Funds  
Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended June 30, 2011

	Major Funds					Total Governmental Funds
	General Fund	ARRA School Improvement Fund	Title I Fund	Sixteenth Section Interest- Claiborne Fund	Other Governmental Funds	
<b>Revenues:</b>						
Local sources	\$ 4,685,563	\$ -	\$ -	\$ -	\$ 261,867	\$ 4,947,430
State sources	5,770,904	-	-	-	1,261,537	7,032,441
Federal sources	95,737	1,106,803	1,098,403	-	3,344,500	5,645,443
Sixteenth section sources	-	-	-	682,152	821,888	1,504,040
Total Revenues	<u>10,552,204</u>	<u>1,106,803</u>	<u>1,098,403</u>	<u>682,152</u>	<u>5,689,792</u>	<u>19,129,354</u>
<b>Expenditures:</b>						
Instruction	6,059,134	881,126	528,761	-	2,226,040	9,695,061
Support services	4,486,609	191,096	469,020	-	800,195	5,946,920
Noninstructional services	10,350	10,898	72,719	-	1,331,786	1,425,753
Sixteenth section	-	-	-	4,893	89,599	94,492
Debt service:						
Principal	100,030	-	-	-	616,388	716,418
Interest	11,346	-	-	-	97,377	108,723
Other	-	-	-	-	1,235	1,235
Total Expenditures	<u>10,667,469</u>	<u>1,083,120</u>	<u>1,070,500</u>	<u>4,893</u>	<u>5,162,620</u>	<u>17,988,602</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(115,265)</u>	<u>23,683</u>	<u>27,903</u>	<u>677,259</u>	<u>527,172</u>	<u>1,140,752</u>
<b>Other Financing Sources (Uses):</b>						
Proceeds from loans	432,148	-	-	-	-	432,148
Payment held by Escrow Agent	-	-	-	-	73,151	73,151
Insurance loss recovery	65,100	-	-	-	-	65,100
Operating transfers in	137,884	-	-	37,248	438,077	613,209
Operating transfers out	(438,077)	(23,683)	(26,512)	-	(124,937)	(613,209)
Payment to Qualified Zone Academy	-	-	-	-	-	-
Debt escrow agent	(14,521)	-	-	-	(58,630)	(73,151)
Other financial uses	-	-	-	-	(245)	(245)
Total Other Financing Sources (Uses)	<u>182,534</u>	<u>(23,683)</u>	<u>(26,512)</u>	<u>37,248</u>	<u>327,416</u>	<u>497,003</u>
Net Change in Fund Balances	<u>67,269</u>	<u>-</u>	<u>1,391</u>	<u>714,507</u>	<u>854,588</u>	<u>1,637,755</u>
<b>Fund Balances:</b>						
July 1, 2010, as originally reported	1,368,061	-	-	633,354	3,018,206	5,019,621
Prior period adjustments	(61,545)	-	(1,391)	-	8,736	(54,200)
July 1, 2010, as restated	<u>1,306,516</u>	<u>-</u>	<u>(1,391)</u>	<u>633,354</u>	<u>3,026,942</u>	<u>4,965,421</u>
Increase (Decrease) in reserve for inventory	-	-	-	-	12,068	12,068
June 30, 2011	<u>\$ 1,373,785</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,347,861</u>	<u>\$ 3,893,598</u>	<u>\$ 6,615,244</u>

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

CLAIBORNE COUNTY SCHOOL DISTRICT  
 Governmental Funds  
 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, 2011

Net Change in Fund Balances - Total Governmental Funds		\$ 1,637,755
Amounts reported for governmental activities in the Statement of Activities are different because:		
1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	\$ 130,623	
Depreciation expense	<u>(308,169)</u>	(177,546)
2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from change in fund balance by the cost of assets sold.		
		(26,038)
3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:		
Bonds and notes issued	(432,148)	
Payments of debt principal	716,418	
Accrued interest payable	<u>23,238</u>	307,508
4. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:		
Change in compensated absences	25,615	
Change in inventory reserve	<u>12,068</u>	<u>37,683</u>
Change in Net Assets of Governmental Activities		\$ <u>1,779,362</u>

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

CLAIBORNE COUNTY SCHOOL DISTRICT  
Fiduciary Funds  
Statement of Fiduciary Assets and Liabilities  
June 30, 2011

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 689,856
Due from other governments	65,983
Due from other funds	<u>61,194</u>
Total Assets	<u>\$ 817,033</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 673,904
Due to other funds	125,171
Due to student clubs	<u>17,958</u>
Total Liabilities	<u>\$ 817,033</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, 2011

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. Basis of Presentation

In February 2009, the GASB issued GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement No. 54. As a result, amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned, or unassigned.

B. 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 to 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 specific financial burdens on the District.

C. Government-wide Financial Statements

Government-wide Financial Statements - The Statement of Net Assets and Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund 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 non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

CLAIBORNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2011

1. Invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are 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 taxes and other items not included among program revenues are reported instead as general revenues.

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

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

ARRA School Improvement Fund - This fund is used to account for the revenues and expenditures of the district's improving teacher quality grant.

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

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 and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

CLAIBORNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2011

Capital Projects Funds - Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Debt Service Funds - Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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

FIDUCIARY FUNDS

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

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government 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 taxes, 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, 2011

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 inter-fund activity has been eliminated from the government-wide statements.

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

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

E. Encumbrances

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

F. Assets, liabilities, and net assets/fund balances

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, 2011

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

Activities 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 inter-fund loans) or "advances to/from other funds" (i.e. the non-current portion of inter-fund 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, 2011

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Assets because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bond sinking funds. 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 fund.

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets 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 table below.

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 the capitalization 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, 2011

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 liability 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 liability for compensated absences 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 cost, bond discounts or premiums, and the difference between reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

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

9. Fund Balances

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. Following are descriptions of fund classifications used by the district:

Nonspendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed, or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. Currently there is no committed fund balance for this school district.

CLAIBORNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2011

Assigned fund balance includes amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the Superintendent and the Business Manager pursuant to authorization established by School Board. Currently there is no assigned fund balance for this school district.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the District's general policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the District's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

**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 and investments are imposed by statutes as follows:

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

**Investments.** Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer ; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interests in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. 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. Investment income of less than \$100 can be credited to the General Fund.

CLAIBORNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2011

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 \$4,602,556 (which includes \$479,187 of certificates of deposit with original maturities beyond three months and reported on the Balance Sheet as investments) and \$689,856, respectively.

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2011, none of the district's bank balance of \$6,182,812 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of the school district's cash with fiscal agents held by financial institutions was \$244.

Investments

As of June 30, 2011, the district had the following investments. Except for the investment in Hancock Horizon Treasury Securities, all investments are in an internal investment pool.

Investment Type	Rating	Maturities (in years)	Fair Value
U.S. Government securities	AAA	less than 1	\$ 412,476
Certificates of deposit	Aaa	less than 1	479,187
Hancock Horizon Treasury Securities - Money Market Funds	AAAm	less than 1	141,235
Total Investments			<u>\$ 1,032,898</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. The investments in the Hancock Horizon Treasury Securities Money Market Funds are uninsured and unregistered and are not backed by the full faith and credit of the federal government. Of the district's \$479,187 investment in River Hills Bank, none of underlying securities are held by the investment's counterparty.

CLAIBORNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2011

**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, 2011, the district had the following investments:

Issuer	Fair Value	% of Total Investments
River Hills Bank	\$ 479,187	46.39 %
Trustmark National Bank	412,476	39.93 %
Hancock Bank	141,235	13.67 %
	<u>\$ 1,032,898</u>	

**NOTE 3 - INTERFUND RECEIVABLES, PAYABLES 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	ARRA School Improvement	\$ 252,648
	Title I	138,691
	Other governmental funds	306,203
	Fiduciary Funds	125,171
ARRA School Improvement	General Fund	1,655
Title I Fund	General Fund	4,822
Sixteen Section Interest- Claiborne	Other governmental funds	1,650
Other governmental funds	General fund	79,066
	Sixteen Section Interest-Claiborne	6,607
Fiduciary funds	General Fund	7,225
	Other governmental funds	<u>53,969</u>
Total		<u>\$ 977,707</u>

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

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

CLAIBORNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2011

B. Interfund Transfers.

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
General Fund	Other governmental funds	\$ 438,077
ARRA School Improvement	General Fund	23,683
Title I	General Fund	26,512
Other Governmental funds	General Fund	87,689
	Sixteen Section Interest- Claiborne	<u>37,248</u>
Total		<u>\$ 613,209</u>

The transfer out of the General Fund was for the purpose of funding expenditures in the other governmental funds. The transfers to the General Fund from other governmental funds was to transfer interest and indirect costs.

NOTE 4 - RESTRICTED ASSETS

The restricted assets represent the cash balance and investment balance, totaling \$69,849 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 investment balance totaling \$141,235 of the MAEP Limited Obligation Bond/Note Fund and cash balance and investment balance, totaling \$244 and \$412,476 in QZAB Retirement Fund.

NOTE 5 - CAPITAL ASSETS

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

Governmental Activities:	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
<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	11,848,577	-	-	11,848,577
Building improvements	215,190	-	-	215,190
Mobile equipment	1,403,922	130,623	-	1,534,545
Furniture and equipment	775,325	-	28,495	746,830
Leased property under capital lease	823,726	-	48,850	774,876
Total depreciable capital assets	<u>15,066,740</u>	<u>130,623</u>	<u>77,345</u>	<u>15,120,018</u>
<u>Less accumulated depreciation for:</u>				
Buildings	5,700,459	161,757	-	5,862,216
Building improvements	34,427	8,608	-	43,035
Mobile equipment	1,193,343	38,389	26,377	1,205,355
Furniture and equipment	620,694	34,749	24,930	630,513
Leased property under capital lease	312,876	64,666	-	377,542
Total accumulated depreciation	<u>7,861,799</u>	<u>308,169</u>	<u>51,307</u>	<u>8,118,661</u>
Total depreciable capital assets, net	<u>7,204,941</u>	<u>(177,546)</u>	<u>26,038</u>	<u>7,001,357</u>
Governmental activities capital assets, net	<u>\$ 7,678,921</u>	<u>\$ (177,546)</u>	<u>\$ 26,038</u>	<u>\$ 7,475,337</u>

CLAIBORNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2011

Depreciation expense was charged to the following governmental functions:

	Amount
Government Activities:	
Instruction	\$ 190,137
Support services	103,055
Non-instructional	<u>14,977</u>
Total depreciation expense - Governmental Activities	<u>\$ 308,169</u>

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

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, 2010	Additions	Reductions	Balance June 30, 2011	Amounts due within one year
A. Limited obligation bonds payable	\$ 1,045,000	\$ -	\$ 245,000	\$ 800,000	\$ 255,000
B. Obligations under capital lease	246,480	-	100,030	146,450	56,449
C. Shortfall note payable	771,810	432,148	371,388	832,570	411,981
D. Qualified zone academy bonds payable	900,000	-	-	900,000	-
E. Compensated absences payable	<u>117,232</u>	<u>-</u>	<u>25,615</u>	<u>91,617</u>	<u>37,034</u>
Total	<u>\$ 3,080,522</u>	<u>\$ 432,148</u>	<u>\$ 742,033</u>	<u>\$ 2,770,637</u>	<u>\$ 760,464</u>

CLAIBORNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2011

A. 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:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement bonds, Series 1998	4.95%	06/01/98	08/01/13	\$ 2,660,000	\$ 800,000
Total				\$ 2,660,000	\$ 800,000

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

Limited obligation on bond issue of 1998:

Year Ending June 30	Principal	Interest	Total
2012	\$ 255,000	\$ 33,289	\$ 288,289
2013	265,000	20,419	285,419
2014	280,000	6,930	286,930
Total	\$ 800,000	\$ 60,638	\$ 860,638

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

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.

B. Obligations under capital leases

The school district has entered into a lease agreement as lessee for financing the acquisition of school buses at a cost of \$338,226 with a down payment of -. This lease qualifies as a capital leases for accounting purposes.

CLAIBORNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2011

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
2009A School District Sub-lease buses	4.93%	1/22/2009	10/1/13	\$ 344,611	\$ 146,450
				<u>\$ 344,611</u>	<u>\$ 146,450</u>

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 56,449	6,533	\$ 62,982
2013	59,267	3,715	62,982
2014	30,734	758	31,492
Total	<u>\$ 146,450</u>	<u>11,006</u>	<u>\$ 157,456</u>

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

C. Shortfall Note Payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
2008 Tax shortfall Note	6.69%	8/6/08	8/19/11	\$ 432,852	157,515
2009 Tax shortfall Note	6.40%	8/28/09	8/20/12	352,062	242,907
2010 Tax shortfall Note	6.40%	8/28/10	9/30/13	432,148	432,148
Total				<u>\$1,217,062</u>	<u>\$ 832,570</u>

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

1. Shortfall notes payable issue of 2008:

Year Ending June 30	Principal	Interest	Total
2012	\$ 157,515	\$ 9,934	\$ 167,449
Total	<u>\$ 157,515</u>	<u>\$ 9,934</u>	<u>\$ 167,449</u>

CLAIBORNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2011

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

2. Shortfall notes payable issue of 2009:

Year Ending June 30	Principal	Interest	Total
2012	\$ 118,971	\$ 15,595	\$ 134,566
2013	123,936	-	123,936
Total	<u>\$ 242,907</u>	<u>\$ 15,595</u>	<u>\$ 258,502</u>

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

3. Shortfall notes payable issue of 2010:

Year Ending June 30	Principal	Interest	Total
2012	\$ 135,495	\$ 27,657	\$ 163,152
2013	144,167	18,986	163,153
2014	152,486	10,667	163,153
Total	<u>\$ 432,148</u>	<u>\$ 57,310</u>	<u>\$ 489,458</u>

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

Total shortfall notes payable for all issues:

Year Ending June 30	Principal	Interest	Total
2012	\$ 411,981	\$ 53,186	\$ 465,167
2013	268,103	18,986	287,089
2014	<u>152,486</u>	<u>10,667</u>	<u>163,153</u>
Total	<u>\$ 832,570</u>	<u>\$ 82,839</u>	<u>\$ 915,409</u>

CLAIBORNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2011

D. Qualified zone academy bonds payable.

As more fully explained in Note 13, debt has been issued by the school district that qualifies as Qualified Zone Academy bonds. Debt currently outstanding is as follows:

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

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

E. 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.

**Funding Policy.** PERS members are required to contribute 9.00% 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 ended June 30, 2011 was 12.00% 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, 2011, 2010, and 2009 were \$1,141,764, \$1,187,631, and \$1,095,010, respectively, which equaled the required contributions for each year.

CLAIBORNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2011

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>
2012	\$ 176,934
2013	45,988
2014	1,504
2015	1,471
2016	1,471
2017 to 2021	7,095
2022 to 2026	6,644
2027 to 2031	5,840
2032 to 2036	<u>2,338</u>
	<u>\$ 249,285</u>

NOTE 9 - DEFICIT FUND BALANCE OF INDIVIDUAL FUNDS

A general listing of the individual funds that have a deficit fund balance, including amounts of the deficit, is as follows:

<u>Fund</u>	<u>Fund Balance</u>
Special Education Grant Fund	\$ 6,591
Twenty-first Century Community Learning Centers	1,319

The deficit fund balances, as listed above, are in violation of Section 37-61-19, Miss Code Ann. (1972), which imposes personal liability on any school official who knowingly enters into any contract, incurs any liability, or makes any expenditure in excess of the resources available for the fiscal year under certain circumstances.

NOTE 10 - PRIOR PERIOD ADJUSTMENTS

A summary of significant fund balance adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
Reclassify fund equity - Understatement of prior year General fund expenditures and an overstatement of prior year Special Revenue fund expenditures.	
General funds	\$ (61,545)
Other governmental funds	8,736
Title I Fund	<u>(1,391)</u>
Total	<u>\$ (54,200)</u>

CLAIBORNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2011

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

<u>Fund</u>	<u>Explanation</u>	<u>Amount</u>
General funds	Reclassify fund - Understatement of prior	\$ (61,545)
Other governmental funds	year General fund expenditures and an	8,736
Title I Fund	overstatement of prior year Special Revenue	<u>(1,391)</u>
Total	Expenditures	<u>\$ (54,200)</u>

NOTE 11 - CONTINGENCIES

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

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

NOTE 12 - 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 72 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

CLAIBORNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2011

NOTE 13 - 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 at 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 on deposit at June 30, 2011 was \$412,720. The amount accumulated in the sinking fund at the end of the ten-year period will not be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2012	\$ 73,245
2013	73,245
2014	73,245
2015	73,245
Total	<u>\$ 292,980</u>

NOTE 14 - SUBSEQUENT EVENTS

Events that occur after the Statement of Net Assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of the Claiborne County School District evaluated the activity of the district through February 24, 2012, (the date the financial statements were available to be issued), and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements:

A. Terminated Federal Grant

The State of Mississippi, Department of Education issued a letter dated December 16, 2011 to the district terminating its School Improvement Grant awarded to Port Gibson High School effective January 16, 2012 for failure to substantially comply with the requirements of the School Improvement Grant under the Elementary and Secondary Education Act of 1965, as amended, Title I, Part A Section 1003(g). The school district is in the process of appealing the decision made by the Department of Education.

B. Capital Lease

The district entered into a capital lease in the amount of \$224,557 including interest and insurance for the purchase of band equipment. The lease terms requires annual payments of \$44, 911 for five (5) years.

CLAIBORNE COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTAL INFORMATION

CLAIBORNE COUNTY SCHOOL DISTRICT  
 Required Supplemental Information  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 4,784,484	\$ 4,616,404	\$ 4,685,563	\$ (168,080)	\$ 69,159
State sources	6,254,366	5,783,035	5,770,904	(471,331)	(12,131)
Federal sources	58,055	34,876	95,737	(23,179)	60,861
Sixteenth section sources	-	25,300	-	25,300	(25,300)
Total Revenues	<u>11,096,905</u>	<u>10,459,615</u>	<u>10,552,204</u>	<u>(637,290)</u>	<u>92,589</u>
<b>Expenditures:</b>					
Instruction	6,395,955	6,059,134	6,059,134	336,821	-
Support services	4,301,802	4,486,609	4,486,609	(184,807)	-
Noninstructional services	1,500	9,385	10,350	(7,885)	(965)
Debt service:					
Principal	66,190	67,779	100,030	(1,589)	(32,251)
Interest	11,345	9,757	11,346	1,588	(1,589)
Total Expenditures	<u>10,776,792</u>	<u>10,632,664</u>	<u>10,667,469</u>	<u>144,128</u>	<u>(34,805)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>320,113</u>	<u>(173,049)</u>	<u>(115,265)</u>	<u>(493,162)</u>	<u>57,784</u>
<b>Other Financing Sources (Uses):</b>					
Proceeds from loans	-	432,148	432,148	432,148	-
Inception of capital lease	-	-	-	-	-
Insurance loss recovery	-	31,260	65,100	31,260	33,840
Operating transfers in	120,785	174,884	137,884	54,099	(37,000)
Operating transfers out	(40,000)	(475,077)	(438,077)	(435,077)	37,000
Payment to Qualified Zone Academy Debt Escrow Agent	(14,521)	(14,521)	(14,521)	-	-
Total Other Financing Sources (Uses)	<u>66,264</u>	<u>148,694</u>	<u>182,534</u>	<u>82,430</u>	<u>33,840</u>
Net Change in Fund Balances	<u>386,377</u>	<u>(24,355)</u>	<u>67,269</u>	<u>(410,732)</u>	<u>91,624</u>
<b>Fund Balances:</b>					
July 1, 2010 as originally reported	1,197,345	1,235,612	1,368,061	38,267	132,449
Prior period adjustments	-	73,956	(61,545)	73,956	(135,501)
July 1, 2010 as restated	<u>1,197,345</u>	<u>1,309,568</u>	<u>1,306,516</u>	<u>112,223</u>	<u>(3,052)</u>
June 30, 2011	<u>\$ 1,583,722</u>	<u>\$ 1,285,213</u>	<u>\$ 1,373,785</u>	<u>\$ (298,509)</u>	<u>\$ 88,572</u>

The notes to the required supplemental information are an integral part of this schedule.

CLAIBORNE COUNTY SCHOOL DISTRICT  
 Required Supplemental Information  
 Budgetary Comparison Schedule  
 ARRA School Improvement Fund  
 For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ -	1,107,010	1,106,803	1,107,010	\$ (207)
Total Revenues	-	1,107,010	1,106,803	1,107,010	(207)
Expenditures:					
Instruction	-	881,333	881,126	(881,333)	207
Support services	-	191,096	191,096	(191,096)	-
Non instructional services	-	10,898	10,898	(10,898)	-
Total Expenditures	-	1,083,327	1,083,120	(1,083,327)	207
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	23,683	23,683	23,683	-
Other Financing Services (Uses)					
Operating transfers out	-	(23,683)	(23,683)	(23,683)	-
Total Other Financing Sources (Uses)	-	(23,683)	(23,683)	(23,683)	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2010	-	-	-	-	-
June 30, 2011	\$ -	\$ -	\$ -	\$ -	\$ -

The notes to the required supplemental information are an integral part of this schedule.

CLAIBORNE COUNTY SCHOOL DISTRICT  
Required Supplemental Information  
Budgetary Comparison Schedule  
Title I  
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 767,563	\$ 1,098,403	\$ 1,098,403	\$ 330,840	\$ -
Total Revenues	<u>767,563</u>	<u>1,098,403</u>	<u>1,098,403</u>	<u>330,840</u>	<u>-</u>
Expenditures:					
Instruction	386,830	528,761	528,761	(141,931)	-
Support services	301,789	469,020	469,020	(167,231)	-
Noninstructional services	<u>59,601</u>	<u>72,719</u>	<u>72,719</u>	<u>(13,118)</u>	<u>-</u>
Total Expenditures	<u>748,220</u>	<u>1,070,500</u>	<u>1,070,500</u>	<u>(322,280)</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>19,343</u>	<u>27,903</u>	<u>27,903</u>	<u>8,560</u>	<u>-</u>
Other Financing Sources (Uses):					
Operating transfers out	<u>(19,343)</u>	<u>(26,512)</u>	<u>(26,512)</u>	<u>(7,169)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(19,343)</u>	<u>(26,512)</u>	<u>(26,512)</u>	<u>(7,169)</u>	<u>-</u>
Net Change in Fund Balances	<u>-</u>	<u>1,391</u>	<u>1,391</u>	<u>1,391</u>	<u>-</u>
Fund Balances:					
July 1, 2010, as originally reported					
Prior period adjustment	<u>-</u>	<u>(1,391)</u>	<u>1,391</u>	<u>(1,391)</u>	<u>-</u>
July 1, 2010 as restated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
June 30, 2011	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The notes to the required supplemental information are an integral part of this schedule.

CLAIBORNE COUNTY SCHOOL DISTRICT  
 Required Supplemental Information  
 Budgetary Comparison Schedule  
 Sixteenth Section Interest Claiborne Fund  
 For the Year Ended June 30, 2011

	<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	\$ -	\$ 3,046	\$ -	\$ 3,046	\$ (3,046)
Federal sources	-	-	-	-	-
Sixteenth section sources	<u>118,513</u>	<u>679,106</u>	<u>682,152</u>	<u>560,593</u>	<u>3,046</u>
Total Revenues	<u>118,513</u>	<u>682,152</u>	<u>682,152</u>	<u>563,639</u>	<u>-</u>
Expenditures:					
Instruction	-	-	-	-	-
Support services	-	-	-	-	-
Noninstructional services	-	-	-	-	-
Sixteenth section	<u>35,000</u>	<u>4,893</u>	<u>4,893</u>	<u>30,107</u>	<u>-</u>
Total Expenditures	<u>35,000</u>	<u>4,893</u>	<u>4,893</u>	<u>30,107</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>83,513</u>	<u>677,259</u>	<u>677,259</u>	<u>593,746</u>	<u>-</u>
Other Financing Sources (Uses):					
Operating transfers in	-	37,248	37,248	37,248	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>37,248</u>	<u>37,248</u>	<u>37,248</u>	<u>-</u>
Net Change in Fund Balances	<u>83,513</u>	<u>714,507</u>	<u>714,507</u>	<u>630,994</u>	<u>-</u>
Fund Balances:					
July 1, 2010	<u>352,902</u>	<u>633,354</u>	<u>633,354</u>	<u>280,452</u>	<u>-</u>
June 30, 2011	<u>\$ 436,415</u>	<u>\$ 1,347,861</u>	<u>\$ 1,347,861</u>	<u>\$ 911,446</u>	<u>\$ -</u>

The notes to the required supplemental information are an integral part of this schedule.

CLAIBORNE COUNTY SCHOOL DISTRICT  
Notes to the Required Supplemental Information  
For the Year Ended June 30, 2011

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

CLAIBORNE COUNTY SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

CLAIBORNE COUNTY SCHOOL DISTRICT  
 Supplemental Information  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2011

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>		
Passed-through MS Department of Education:		
Non-Cash Assistance:		
Food donation	10.550	\$ <u>76,831</u>
Child Nutrition Cluster		
School Breakfast Program	10.553	351,950
National School Lunch Program	10.555	746,543
Summer Food Service Program for Children	10.559	<u>84,159</u>
Total Child Nutrition Cluster		<u>1,182,652</u>
Child and Adult Care Food Program	10.558	<u>23,292</u>
Fresh Fruit and Vegetable Program	10.582	<u>34,792</u>
Total U.S. Department of Agriculture		<u>1,317,567</u>
<u>U. S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I Cluster:		
Title I Grants to Local Educational Agencies	84.010	1,221,076
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	<u>305,361</u>
Total Title I Cluster		1,526,437
Career and Technical Education - Basic Grants to States	84.048	29,285
Safe and Drug-free Schools and Communities - State Grants	84.186	7,300
Twenty-First Century Community Learning Centers	84.287	156,238
Rural education	84.358	59,388
Improving Teacher Quality - State Grants	84.367	241,581
ARRA - School Improvement Grant	84.388	1,106,803
ARRA - State Fiscal Stabilization State Grant, -Recovery Act	84.394	<u>429,234</u>
Total		<u>3,556,266</u>

CLAIBORNE COUNTY SCHOOL DISTRICT  
 Supplemental Information  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2011

<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	\$ 373,008
Special Education - Preschool Grants	84.173	10,719
ARRA - Special Education - Grants to States, Recovery Act	84.391	266,342
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	11,801
Total Special Education Cluster		<u>661,870</u>
Total Passed-through Mississippi Department of Education		<u>4,218,136</u>
Total U.S. Department of Education		<u>4,218,136</u>
<u>U. S. Department of Health and Human Services</u>		
Passed-through Mississippi Department of Health and Human Services: Abstinence Partnership Education Program	93.235	<u>14,000</u>
Total U.S. Department of Health and Human Services		<u>14,000</u>
<u>U. S. Department of Defense</u>		
Direct Program:		
Reserve Officers' Training Corps	12.XXX	<u>34,876</u>
Total U. S. Department of Defense		<u>34,876</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>60,861</u>
Total Federal Communications Commission		<u>60,861</u>
TOTAL FOR ALL FEDERAL AWARDS		<u>\$ 5,645,440</u>

CLAIBORNE COUNTY SCHOOL DISTRICT  
Supplemental Information  
Schedule of Expenditures of Federal Awards  
Notes to Schedule  
For the Year Ended June 30, 2011

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  
 Supplemental Information  
 Schedule of Instructional, Administrative and Other Expenditures  
 Governmental Funds  
 For the Year Ended June 30, 2011

<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	\$ 12,823,088	9,653,226	505,326	808,452	\$ 1,856,084
Other	<u>5,165,514</u>	<u>1,659,482</u>	<u>244,185</u>	<u>8,202</u>	<u>3,253,645</u>
Total	<u>\$ 17,988,602</u>	<u>11,312,708</u>	<u>749,511</u>	<u>816,654</u>	<u>\$ 5,109,729</u>
Total number of students*	<u>1,730</u>				
Cost per student	<u>\$ 10,398</u>	<u>\$ 6,539</u>	<u>\$ 433</u>	<u>472</u>	<u>\$ 2,954</u>

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.

**General Administration** - includes expenditures for the following functions: Support Services - General Administration and Support Services - Business.

**School Administration** - includes expenditures for the following function: Support Services - School Administration.

**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.

CLAIBORNE COUNTY SCHOOL DISTRICT  
OTHER INFORMATION

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

	2011	2010*	2009*	2008*
Revenues				
Local sources	\$ 4,685,563	\$ 4,973,968	\$ 4,508,158	\$ 4,179,123
State sources	5,770,904	5,958,175	6,858,876	7,579,004
Federal sources	95,737	175,106	170,040	113,587
Total Revenues	<u>10,552,204</u>	<u>11,107,249</u>	<u>11,537,074</u>	<u>11,871,714</u>
Expenditures:				
Instruction	6,059,134	6,922,106	7,855,207	7,498,152
Support services	4,486,609	4,653,746	4,571,639	4,719,011
Noninstructional services	10,350	6,282	7,549	17,984
Debt services				
Principal	100,030	131,006	172,846	116,473
Interest	11,346	17,170	17,089	14,171
Total Expenditures	<u>10,667,469</u>	<u>11,730,310</u>	<u>12,624,330</u>	<u>12,365,791</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(115,265)</u>	<u>(623,061)</u>	<u>(1,087,256)</u>	<u>(494,077)</u>
Other Financing Sources (Uses):				
Proceeds from loan	432,148	313,353	338,723	326,768
Inception of capital lease	-	-	344,611	-
Insurance loss recoveries	65,100	-	87,886	-
Sale of other property	-	-	-	3,818
Operating transfers in	137,884	1,028,745	38,283	209,233
Other financing sources	-	8,982	-	-
Operating transfers out	(438,077)	(503,703)	(341,487)	(429,236)
Payment to Qualified Zone Academy				
Debt Escrow Agent	(14,521)	(14,521)	(14,521)	(19,019)
Other uses	-	(12,356)	(177)	(82,599)
Total Other Financing Sources (Uses)	<u>182,534</u>	<u>820,500</u>	<u>453,318</u>	<u>8,965</u>
Net Change in Fund Balances	<u>67,269</u>	<u>197,439</u>	<u>(633,938)</u>	<u>(485,112)</u>
Fund Balances:				
Beginning of period, as originally reported	1,368,061	1,173,944	1,810,335	2,333,148
Prior period adjustments	(61,545)	(3,322)	(2,453)	(37,701)
Beginning of period, as restated	<u>1,306,516</u>	<u>1,170,622</u>	<u>1,807,882</u>	<u>2,295,447</u>
End of Period	<u>\$ 1,373,785</u>	<u>\$ 1,368,061</u>	<u>\$ 1,173,944</u>	<u>\$ 1,810,335</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

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

	2011	2010*	2009*	2008*
<b>Revenues</b>				
Local sources	\$ 4,947,430	\$ 5,618,230	\$ 5,189,339	\$ 4,813,798
State sources	7,032,441	7,006,508	7,792,333	8,459,409
Federal sources	5,645,443	4,298,772	2,965,557	2,832,179
Sixteenth section sources	1,504,040	997,587	342,289	444,422
<b>Total Revenues</b>	<u>19,129,354</u>	<u>17,921,097</u>	<u>16,289,518</u>	<u>16,549,808</u>
<b>Expenditures:</b>				
Instruction	9,695,061	9,587,470	9,445,318	8,933,927
Support services	5,946,920	5,829,370	5,698,641	5,858,528
Noninstructional services	1,425,753	1,148,345	1,021,452	967,143
Sixteenth section	94,492	163,082	50,566	17,379
Facilities acquisition and construction	-	-	-	-
Debt services				
Principal	716,418	1,162,404	1,037,164	922,634
Interest	108,723	149,075	154,116	156,026
Other	1,235	-	743	2,284
<b>Total Expenditures</b>	<u>17,988,602</u>	<u>18,039,746</u>	<u>17,408,000</u>	<u>16,857,921</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>1,140,752</u>	<u>(118,649)</u>	<u>(1,118,482)</u>	<u>(308,113)</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds from loan	432,148	352,062	432,852	326,768
Inception of capital lease	-	-	344,611	-
Payment held by escrow agent	73,151	73,151	73,151	73,151
Insurance loss recoveries	65,100	-	87,886	-
Other financing sources	-	8,982	-	3,818
Operating transfers in	613,209	1,632,448	379,770	638,469
Operating transfers out	(613,209)	(1,632,448)	(379,770)	(638,469)
Payment to Qualified Zone Academy				
Debt Escrow Agent	(73,151)	(73,151)	(73,151)	(73,151)
Other uses	(245)	(12,708)	(177)	(82,599)
<b>Total Other Financing Sources (Uses)</b>	<u>497,003</u>	<u>348,336</u>	<u>865,172</u>	<u>247,987</u>
<b>Net Change in Fund Balances</b>	<u>1,637,755</u>	<u>229,687</u>	<u>(253,310)</u>	<u>(60,126)</u>
<b>Fund Balances:</b>				
Beginning of period, as originally reported	5,019,621	4,797,563	5,055,472	5,126,386
Prior period adjustments,	(54,200)	(6,933)	(9,567)	(11,090)
Beginning of period, as restated	<u>4,965,421</u>	<u>4,790,630</u>	<u>5,045,905</u>	<u>5,115,296</u>
Increase (Decrease) in reserve for inventory	12,068	(696)	4,968	302
<b>End of Period</b>	<u>\$ 6,615,244</u>	<u>\$ 5,019,621</u>	<u>\$ 4,797,563</u>	<u>\$ 5,055,472</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

CLAIBORNE COUNTY SCHOOL DISTRICT

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



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, 2011, which collectively comprise the Claiborne County School District's basic financial statements and have issued our report thereon dated February 24, 2012. 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

Management of Claiborne County School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Claiborne County School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Claiborne County School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Claiborne County 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. [Finding Number 2011-2, 2011-3 and 2011-5].

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies. [Finding Number 2011-1 and 2011-4].

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Claiborne County School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of Claiborne County School District in a separate letter dated February 24, 2012, which is included in this report.

Claiborne County School District's responses to the findings identified in our audit are described in the auditee's corrective action plan. We did not audit Claiborne County School District's responses and, accordingly, we express no opinion on the responses.

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.

*Bans, King, White & Co.*

February 24, 2012



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Superintendent and School Board  
Claiborne County School District

Compliance

We have audited Claiborne County School District with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. 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.

As described in finding 2011-6 in the accompanying schedule of findings and questioned costs, Claiborne County School District did not comply with requirements regarding suspension and debarment that is applicable to its Cluster: Special Education Cluster, CFDA #84.027, CFDA #84.173, CFDA #84.391, and CFDA #84.392. Compliance with such requirements is necessary, in our opinion, for Claiborne County School District to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Claiborne County School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

## 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 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 to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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 over compliance that might be deficiencies, 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.

Claiborne County School District's responses to the findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. 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 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.

*Bar, Finley, White & Co.*  
February 24, 2012

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, 2011, which collectively comprise the Claiborne County School District's basic financial statements and have issued our report thereon dated February 24, 2012. 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 \$24,750 of classroom supply funds carried over from previous years.

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements 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

During our testwork of the unemployment compensation fund, we noted that the district did not maintain the required cash balance as required by Section 71-5-359 Miss. Code Ann. (1972).

Recommendation

The District should adopt procedures to comply with Section 71-5-359, Miss. Code Ann. (1972).

School District's Response

The District will develop and implement internal control procedures to ensure that the unemployment compensation fund maintains the required cash balance to comply with section 71-5-359 Miss. Code Ann. (1972).

2. Finding

The District did not obtain at least two competitive written bids for one purchase as 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 district will implemented procedures to ensure compliance with Section 31-7-13, Miss Code Ann. (1972).

3. Finding (Repeat 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 district will comply with Section 29-3-119, Miss. Code Ann. (1972), and the expendable/nonexpendable revenues will be shared with/from the other districts.

4. Finding (Repeat Finding)

During our testwork of reemployed retirees, we found that the District paid a reemployed retiree more than the amount allowed by law.

Recommendation

We recommend that the amount paid to reemployed retirees do not exceed the amount allowed by law, as required by Section 25-11-127, Miss. Code Ann. (1972).

School District's Response

The district will comply with Section 25-11-127, Miss. Code Ann. (1972), to ensure that the amount paid to reemployed retirees do not exceed the amount allowed by law, as required by Section 25-11-127, Miss. Code Ann. (1972).

5. Finding

During our testwork of the Sixteenth Section funds, we noted that revenue received on loans and investments were not deposited in the Sixteenth Section Interest or Principal funds as required by Section 29-3-111, Miss Code Ann. (1972)

Recommendation

We recommend that Claiborne County School District establish policies to ensure compliance with Section 29-3-111, Miss Code Ann. (1972)

School District's Response

The district will ensure compliance with Section 29-3-111, Miss Code Ann. (1972) and will ensure that revenue received on Sixteenth Section loans and investments be deposited in the appropriate funds.

6. Finding

During our testwork of the Forestry Escrow Fund, we noted that the district did not place fifteen percent (15%) of all receipts from sale of forest products in the Forestry Escrow Fund as required by Section 29-3-47, Miss Code Ann. (1972).

Recommendation

We recommend that Claiborne County School District establish policies to ensure compliance with Section 29-3-47, Miss Code Ann. (1972)

School District's Response

The district will ensure compliance with Section 29-3-47, Miss Code Ann. (1972) and will ensure that fifteen percent (15%) of all receipts from sale of forest products be placed in the Forestry Escrow Fund as required.

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 action has 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 oversight, 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.

*Banes, Finley, White & Co.*  
February 24, 2012

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, 2011

Section 1: Summary of Auditor's Results

Financial Statements:

- |    |   |             |
|----|---|-------------|
| 1. | Type of auditor's report issued:                          | Unqualified |
| 2. | Internal control over financial reporting:                |             |
|    | a. Material weakness(es) identified?                      | Yes         |
|    | b. Significant deficiency(ies) identified                 | Yes         |
| 3. | Noncompliance material to the financial statements noted? | No          |

Federal Awards:

- |    |   |               |
|----|---|---------------|
| 4. | Internal control over major programs:     |               |
|    | a. Material weakness(es) identified?      | No            |
|    | b. Significant deficiency(ies) identified | None reported |

5. Type of auditor's report issued on compliance for major federal programs

Unqualified for all major programs except for its Special Education Cluster:  
 CFDA #84.027, CFDA#84.173, CFDA#84.391, and CFDA#84.391,  
 CFDA #84.392 which is qualified

- |    |  |     |
|----|--|-----|
| 6. | Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | Yes |
|----|--|-----|

7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
CFDA #10.553	Child Nutrition
CFDA #10.555	Child Nutrition
CFDA #10.559	Child Nutrition
CFDA #84.389	Title I Grants to Local Educational Agencies
CFDA #84.010	Title I Grants to Local Educational Agencies
CFDA #84.027	Special Education
CFDA #84.173	Special Education
CFDA #84.391	Special Education
CFDA #84.392	Special Education
CFDA #84.388	School Improvement Grants

CLAIBORNE COUNTY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011

8. Dollar threshold used to distinguish between type A and type B programs: \$300,000
9. Auditee qualified as a low-risk auditee? No

Section 2: Findings Relating to the Financial Statements

2011-1 Finding (Repeat Finding)

Significant deficiency not considered a material weakness

Some areas of the policies and procedures manual developed by the district are incomplete and/or do not include the actual procedures used by the district to process accounting transactions.

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.

2011-2 Finding (Repeat Finding)

Significant deficiency considered a material weakness

The District's bank accounts were not reconciled to the general ledger during the fiscal year.

Cause

Some banks accounts were not properly reconciled or not reconciled at all during the fiscal year.

Effect

The effects are as follows:

- a. Inadequate internal control over cash.
- b. Misstatement of cash in the District's monthly financial statements submitted to the School Board for review and year-end financial statements submitted to the State Department of Education.
- c. Delay in completing the District's annual audit until the bank accounts were reconciled.

CLAIBORNE COUNTY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011

Criteria

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

Recommendation

The bank accounts should be reconciled and agreed to the general ledger monthly. We also suggest that the Fiscal Officer review the bank reconciliations for any unusual items, investigate and fully resolve any such item and document her approval by initialing the form.

2011-3 Finding (Repeat Finding)

Significant deficiency 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. Accountability sheets were not signed and dated by a reviewer or anyone from central office as verification of actual funds received for deposit from game ticket sales.
- c. Athletic fund receipts did not agree with the amount of pre-numbered tickets sold for three football games.
- d. Ending number of tickets sold or ticket numbers for tickets returned were not recorded on the activity accountability sheet.
- e. Selling price of ticket was not recorded on the activity sheet.

Cause

Internal administrative control procedures have not been implemented to ensure the safeguards 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*.

CLAIBORNE COUNTY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011

2011-4 Finding

Significant deficiency not considered a material weakness

During our work on the District's fixed assets, we noted the following:

- a. During our physical observation, we noted that property tag numbers were not affixed to two (2) equipment items.
- b. One equipment item that was properly discarded was still included in the property records.

Cause

Poor implementation of established policies and procedures.

Effect

Incomplete property and equipment records.

Criteria

*Financial Accounting Manual for Mississippi Public School Districts and the Mississippi Public School Asset Management Manual.*

Recommendation

The District should implement administrative policies and control procedures to ensure that assets belonging to the District are accounted for in a manner consistent with requirements of the *Financial Accounting Manual for Mississippi Public School Districts and the Mississippi Public School Asset Management Manual*

2011-5 Finding

Significant deficiency considered a material weakness

During a review of cash receipts, we noted the following:

- a. The district was not recording funds to the warrant receipt books at the time they are actually received, but days or months subsequent to the receipt of such funds and in some instances only one warrant receipt is prepared for the sum of all monthly payments.
- b. Receipt warrants were not prepared for funds received by direct deposit.

Cause

The District has no standard procedures in place to ensure all funds received are recorded in the accounting records and deposited in the bank.

Effect

This is a severe weakness in internal control.

CLAIBORNE COUNTY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011

Criteria

State of Mississippi Financial Accounting Manual for Mississippi Public School Districts and 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 the following procedures be implemented in order to greatly improve internal control.

- a. Checks should be immediately endorsed when they are received.
- b. A control list should be made of receipts when they are opened.
- c. Checks should be deposited to the bank on a timely basis.
- d. Receipts should be processed timely by recording in the warrant receipt book when received.
- e. Deposit slips should be matched against the list of receipts to ensure that all amounts on the receipts were deposited.

Section 3: Federal Award Findings and Questioned Costs

2011-6 Finding

Material noncompliance

During the suspension and debarment testing, we noted that the district entered into a contract with a contractor for the amount of \$25,000, in which no documentation was maintained to determine that the contractor was not listed on the General Services Administration's Excluded Parties List.

Cause

Failure to document that a search was performed to ascertain that the contractor was not suspended or debarred.

Effect

Non-compliance with grant requirements.

Criteria

The OMB Circular A-133 Compliance Supplement states that entities are prohibited from contracting with or making sub-awards under covered transactions involving federal funds to parties that are suspended or debarred or whose principals are suspended or debarred.

Recommendation

We recommend that the organization strengthen internal administrative controls as it relates to the certification for suspension and debarment on contracts involving federal funds by requiring the retention of documentation verifying that a search for suspension and debarment was performed.

## 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, 2011:



Donald Reeves  
Asst. Superintendent,  
Federal Programs Director

Earl Taylor  
Asst. Superintendent of Operations  
Transportation & Maintenance

Wanda C. Fleming  
Administrative Asst. to the Supt.  
Human Resources Director

Johnnie Thompson  
Business Manager

Debra Knox  
Special Services Director

Jana Bell  
Food Service Director

Sandra Nash  
District Math Coordinator

April 10, 2012

**Banks, Finley, White & Co.**  
308 Highland Park Cove  
Ridgeland, MS 39157

Dear Mr. Brown:

Please find below responses to audit finding 2011-1 through 2011-6

Section 2: Findings Relating to the Financial Statements

2011-1      Finding (Repeat Finding)

Significant deficiency not considered a material weakness

Some areas of the policies and procedures manual developed by the district is incomplete and/or do not include the actual procedures used by the district to process accounting transactions.

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.

School District's Response

The district will modify its current policies and procedures manual to include the actual accounting procedures used by the district.

2011-2

Finding (Repeat Finding)

Significant deficiency considered a material weakness

The District's bank accounts were not reconciled to the general ledger during the fiscal year.

Cause

Some banks accounts were not properly reconciled or not reconciled at all during the fiscal year.

Effect

The effects are as follows:

- a. Inadequate internal control over cash.
- b. Misstatement of cash in the District's monthly financial statements submitted to the School Board for review and year-end financial statements submitted to the State Department of Education.
- c. Delay in completing the District's annual audit until the bank accounts were reconciled.

Criteria

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

Recommendation

The bank accounts should be reconciled and agreed to the general ledger monthly. We also suggest that the Fiscal Officer review the bank reconciliation for any unusual items, investigate and fully resolve any such item and document her approval by initialing the form.

School District's Response

The bank accounts are currently reconciled and agreed to the general ledger monthly. The fiscal officer reviews the bank reconciliation for any unusual items, such items are investigated and fully resolved in a timely manner.

2011-3

Finding (Repeat Finding)

Significant deficiency 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. Accountability sheets were not signed and dated by a reviewer or anyone from central office as verification of actual funds received for deposit from game ticket sales.
- c. Athletic fund receipts did not agree with the amount of pre-numbered tickets sold for three football games.
- d. Ending number of ticket sold or ticket numbers for tickets returned were not recorded on the activity accountability sheet.
- e. Selling price of ticket was not recorded on the activity sheet.

Cause

Internal administrative control procedures have not been implemented to ensure the safeguards 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*.

School District's Response

The district will review and strengthen its current policies and procedures, correct any weaknesses, and implement controls to ensure the safeguards of student activity funds as prescribed in the *Financial Accounting Manual for Mississippi Public School Districts*.

2011-4

Finding

Significant deficiency not considered a material weakness

During our work on the District's fixed assets, we noted the following:

- a. During our physical observation, we noted that property tag numbers were not affixed to two (2) equipment items
- b. One equipment item that was properly discarded was still included in the property records.

Cause

Poor implementation of established policies and procedures.

Effect

Incomplete property and equipment records.

Criteria

Financial *Accounting* Manual for Mississippi Public School Districts and the Mississippi Public School Asset Management Manual.

Recommendation

The District should implement administrative policies and control procedures to ensure that assets belonging to the District are accounted for in a manner consistent with requirements of the *Financial Accounting Manual for Mississippi Public School Districts and the Mississippi Public School Asset Management Manual*

School District's Response

The District will implement administrative policies and control procedures to ensure that assets are accounted for in a manner consistent with requirements of the *Financial Accounting Manual for Mississippi Public School Districts and the Mississippi Public School Asset Management Manual*

2011-5

Finding

Significant deficiency considered a material weakness. During a review of cash receipts, we noted the following:

- a. The district was not recording funds to the warrant receipt books at the time they are actually received, but days or months subsequent to the receipt of such funds and in some instances only one warrant receipt is prepared for the sum of all monthly payments.
- b. Receipt warrants were not prepared for funds received by direct deposit.

Cause

The District has no standard procedures in place to ensure all funds received are recorded in the accounting records and deposited in the bank.

Effect

This is a severe weakness in internal control.

Criteria

State of Mississippi Financial Accounting Manual for Mississippi Public School Districts and 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 the following procedures be implemented in order to greatly improve internal control.

- a. Checks should be immediately endorsed when they are received.
- b. A control list should be made of receipts when they are opened.
- c. Checks should be deposited to the bank on a timely basis.
- d. Receipts should be processed timely by recording in the warrant receipt book when received.
- e. Deposit slips should be matched against the list of receipts to ensure that all amounts on the receipts were deposited.

School District's Response

The district has implemented procedures to ensure receipting, processing, and recording of cash receipts and direct deposit receipts in an accurate and timely manner, as prescribed by the State of Mississippi Financial Accounting Manual for Mississippi Public School Districts.

Section 3: Federal Award Findings and Questioned Costs

Significant deficiency considered a material weakness

2011-6 Finding

During the suspension and debarment testing, we noted that the district entered into a contract with a contractor for the amount of \$25,000, in which no documentation was maintained to determine that the contractor was not listed on the General Services Administration's Excluded Parties List.

Cause

Failure to document that a search was performed to ascertain that the contractor was not suspended or debarred.

Effect

Non-compliance with grant requirements.

Criteria

The OMB Circular A-133 Compliance Supplement states that entities are prohibited from contracting with or making sub-awards under covered transactions involving federal funds to parties that are suspended or debarred or whose principals are suspended or debarred.

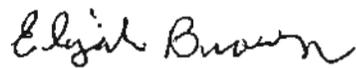
Recommendation

We recommend that the organization strengthen internal administrative controls as it relates to the certification for suspension and debarment on contracts involving federal funds by requiring the retention of documentation verifying that a search for suspension and debarment was performed.

School District's Response

The district will implement internal controls procedures to ensure that documentation is maintained as evidence that contractors are not listed on the General Services Administration's Excluded Parties List.

Sincerely,



Elijah Brown, D.D., Superintendent

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, 2011 :

<u>Finding</u>	<u>Status</u>
2010-10	Corrective action was taken
2010-11	Corrective action was taken