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CLAIBORNE COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2014

Charles L. Shivers, CPA
Ridgeland, MS

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Conservator
Claiborne County School District

Report on the Financial Statements

I 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, 2014, and the related notes to the financial statements, which collectively comprise the Claiborne County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Claiborne County School District, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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. I have applied certain limited procedures to the required supplementary 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My 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, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and 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 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, as required by the Mississippi State Auditor's Office, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This 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. Such 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 basic 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 my opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

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, as required by the Mississippi Department of Education, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated February 20, 2015, on my consideration of the Claiborne County School District's internal control over financial reporting and on my 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 my 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* in considering Claiborne County School District's internal control over financial reporting and compliance.

Charles L Shivers, CPA

Ridgeland, MS
February 20, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

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CLAIBORNE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

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, 2014. 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 position for 2014 decreased \$58,899, including a prior period adjustment of (\$86,912), which represents a 1% decrease from fiscal year 2013. Total net position for 2013 decreased \$695,386, including a prior period adjustment of (\$152,618), which represents a 6% decrease from fiscal year 2012.
- General revenues amounted to \$12,873,503 and \$12,572,180, or 77% and 77% of all revenues for fiscal years 2014 and 2013, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,875,345, or 23% of total revenues for 2014, and \$3,805,193, or 23% of total revenues for 2013.
- The District had \$16,720,835 and \$16,920,141 in expenses for fiscal years 2014 and 2013; only \$3,875,345 for 2014 and \$3,805,193 for 2013 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$12,873,503 for 2014 were adequate to provide for these programs. General revenues of \$12,572,180 for 2013 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$12,182,819 in revenues and \$12,226,840 in expenditures for 2014, and \$10,843,103 in revenues and \$12,452,681 in expenditures in 2013. The General Fund's fund balance increased by \$1,951,420, including a prior period adjustment of (\$259,768), from 2013 to 2014, and decreased by \$179,485, including a prior period adjustment of \$6,854, from 2012 to 2013.
- Capital assets, net of accumulated depreciation, decreased by \$217,503 for 2014 and increased by \$102,547 for 2013. The decrease for 2014 was due primarily to the increase in accumulated depreciation for the current year, as well as adjustments made to decrease the cost and accumulated depreciation of prior year capital assets.
- Long-term debt decreased by \$564,337 for 2014 and decreased by \$208,741 for 2013. The decrease for 2014 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$649 for 2014 and decreased by \$12,307 for 2013.

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

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position 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 Position, 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.

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 Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as

required supplementary 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.

Supplementary 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 position

Net position may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$10,844,133 as of June 30, 2014.

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.

Table 1 presents a summary of the District's net position at June 30, 2014 and June 30, 2013.

Table 1
Condensed Statement of Net Position

	June 30, 2014	June 30, 2013	Percentage Change
Current assets	\$ 3,293,407	\$ 4,739,887	(30.52) %
Restricted assets	2,155,044	1,094,485	96.90 %
Capital assets, net	7,076,097	7,293,600	(2.98) %
Total assets	12,524,548	13,127,972	(4.60) %
Current liabilities	256,057	235,596	8.68 %
Long-term debt outstanding	1,424,358	1,989,344	(28.40) %
Total liabilities	1,680,415	2,224,940	(24.47) %
Net position:			
Net investment in capital assets	5,866,316	5,565,497	5.41 %
Restricted	2,197,693	4,666,300	(52.90) %
Unrestricted	2,780,124	671,235	314.18 %
Total net position	\$ 10,844,133	\$ 10,903,032	(0.54) %

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

- Decrease in net capital assets in the amount of \$217,503.
- The principal retirement of \$564,337 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2014 and June 30, 2013 were \$16,748,848 and \$16,377,373, respectively. The total cost of all programs and services was \$16,720,835 for 2014 and \$16,920,141 for 2013.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2014 and June 30, 2013.

Table 2
Changes in Net Position

	Year Ended June 30, 2014	Year Ended June 30, 2013	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 220,559	\$ 1,800,127	(87.75) %
Operating grants and contributions	3,654,786	2,005,066	82.28 %
General revenues:			
Property taxes	4,778,566	4,455,373	7.25 %
Grants and contributions not restricted	7,029,129	7,088,423	(0.84) %
Investment earnings	36,674	2,696	1,260.31 %
Sixteenth section sources	973,245	989,374	(1.63) %
Other	55,889	36,314	53.90 %
Total revenues	16,748,848	16,377,373	2.27 %
Expenses:			
Instruction	8,889,628	8,822,564	0.76 %
Support services	6,422,678	5,904,322	8.78 %
Non-instructional	1,181,304	1,670,464	(29.28) %
Sixteenth section	200,312	459,982	(56.45) %
Interest on long-term liabilities	26,913	62,809	(57.15) %
Total expenses	16,720,835	16,920,141	(1.18) %
Increase (Decrease) in net position	28,013	(542,768)	105.16 %
Net Position, July 1, as previously reported	10,903,032	11,598,418	(6.00) %
Prior Period Adjustment	(86,912)	(152,618)	43.05 %
Net Position, July 1, as restated	10,816,120	11,445,800	(5.50) %
Net Position, June 30	\$ 10,844,133	\$ 10,903,032	(0.54) %

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 liabilities. 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		Percentage Change
	2014	2013	
Instruction	\$ 8,889,628	\$ 8,822,564	0.76 %
Support services	6,422,678	5,904,322	8.78 %
Non-instructional	1,181,304	1,670,464	(29.28) %
Sixteenth section	200,312	459,982	(56.45) %
Interest on long-term liabilities	26,913	62,809	(57.15) %
Total expenses	\$ 16,720,835	\$ 16,920,141	(1.18) %

	Net (Expense) Revenue		Percentage Change
	2014	2013	
Instruction	\$ (7,308,984)	\$ (7,265,740)	0.60 %
Support services	(5,467,971)	(5,191,742)	5.32 %
Non-instructional	47,039	(134,675)	134.93 %
Sixteenth section	(88,661)	(459,982)	(80.73) %
Interest on long-term liabilities	(26,913)	(62,809)	(57.15) %
Total net (expense) revenue	\$ (12,845,490)	\$ (13,114,948)	(2.05) %

- Net cost of governmental activities (\$12,845,490 for 2014 and \$13,114,948 for 2013) was financed by general revenue, which is primarily made up of property taxes (\$4,778,566 for 2014 and \$4,455,373 for 2013) and state and federal revenues (\$7,029,129 for 2014 and \$7,088,423 for 2013). In addition, there was \$973,245 and \$989,374 in Sixteenth Section sources for 2014 and 2013, respectively.
- Investment earnings amounted to \$36,674 for 2014 and \$2,696 for 2013.

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.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$5,195,243, a decrease of \$424,158, which includes a prior period adjustment of (\$244,513) and an increase in inventory of \$279. \$2,846,844, or 55% 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 \$2,348,399, or 45% 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 \$1,951,420, which includes a prior period adjustment of (\$259,768). The fund balance of Other Governmental Funds showed a decrease in the amount of \$2,475,311, which includes a prior period adjustment of \$15,255 and an increase in inventory of \$279. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
Title I Fund	no increase or decrease
Vocational Education Fund	no increase or decrease
QZAB Debt Service Fund	\$ 99,733

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 uses of funding for the School District. Budget revisions during the fiscal year were routine in nature and were insignificant when compared to total revenues and expenditures of the District.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2014, the District's total capital assets were \$15,031,209, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and leased property. This amount represents a gross decrease of

\$934,682 from 2013. The decrease is due primarily to the disposal of numerous school buses and various other items of mobile equipment and furniture and equipment during the fiscal year and the adjustment needed to reduce and correct prior year capital asset balances. Total accumulated depreciation as of June 30, 2014, was \$7,955,112, after adjustments to reduce and correct prior year accumulated depreciation balances, and total depreciation expense for the year was \$321,466, resulting in total net capital assets of \$7,076,097.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage</u> <u>Change</u>
Land	\$ 473,980	\$ 473,980	0.00 %
Buildings	5,696,968	5,662,847	0.60 %
Building improvements	146,329	154,939	(5.56) %
Mobile equipment	342,009	188,652	81.29 %
Furniture and equipment	55,535	128,026	(56.62) %
Leased property under capital leases	361,276	685,156	(47.27) %
Total	<u>\$ 7,076,097</u>	<u>\$ 7,293,600</u>	(2.98) %

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

Debt Administration. At June 30, 2014, the District had \$1,424,358 in outstanding long-term debt, of which \$111,716 is due within one year. During the fiscal year, the District made principal payments totaling \$564,337 on existing long-term debt. The liability for compensated absences decreased \$649 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage</u> <u>Change</u>
Limited obligation bonds payable	\$ 0	\$ 280,000	(100.00) %
Shortfall notes payable	0	152,484	(100.00) %
Obligations under capital leases	416,250	548,103	(24.06) %
Qualified zone academy bonds payable	900,000	900,000	0.00 %
Compensated absences payable	108,108	108,757	(0.60) %
Total	<u>\$ 1,424,358</u>	<u>\$ 1,989,344</u>	(28.40) %

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

CURRENT ISSUES

The Claiborne County School District is financially stable. The District is proud of its community support of the public schools. The District has committed itself to financial excellence for many years. The District's system of financial planning, budgeting, and internal financial controls is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any 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.

BASIC FINANCIAL STATEMENTS

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CLAIBORNE COUNTY SCHOOL DISTRICT
Statement of Net Position
June 30, 2014

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 2,754,960
Due from other governments	526,736
Inventories	11,711
Restricted assets (Note 4)	2,155,044
Non-depreciable capital assets (Note 5)	473,980
Depreciable capital assets, net (Note 5)	6,602,117
Total Assets	<u>12,524,548</u>
Liabilities	
Accounts payable and accrued liabilities	223,641
Due to other governments	29,567
Interest payable on long-term liabilities	2,849
Long-term liabilities (Due within one year) (Note 6)	
Capital related liabilities	106,311
Non-capital related liabilities	5,405
Long-term liabilities (Due beyond one year) (Note 6)	
Capital related liabilities	1,209,939
Non-capital related liabilities	102,703
Total Liabilities	<u>1,680,415</u>
Net Position	
Net investment in capital assets	5,866,316
Restricted net position	
Expendable	
School-based activities	411,477
Debt service	854,052
Forestry improvements	557,155
Unemployment benefits	32,812
Non-expendable	
Sixteenth section	342,197
Unrestricted	<u>2,780,124</u>
Total Net Position	<u>\$ 10,844,133</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, 2014

Exhibit B

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities				
Instruction	\$ 8,889,628	94,399	1,486,245	(7,308,984)
Support services	6,422,678		954,707	(5,467,971)
Non-instructional	1,181,304	14,509	1,213,834	47,039
Sixteenth section	200,312	111,651		(88,661)
Interest on long-term liabilities	26,913			(26,913)
Total Governmental Activities	16,720,835	220,559	3,654,786	(12,845,490)
General Revenues				
Taxes				
General purpose levies				4,636,590
Debt purpose levies				141,976
Unrestricted grants and contributions				
State				7,022,257
Federal				6,872
Unrestricted investment earnings				36,674
Sixteenth section sources				973,245
Other				55,889
Total General Revenues				12,873,503
Changes in Net Position				
Net Position - Beginning, as previously reported				
Prior Period Adjustments (Note 9)				
Net Position - Beginning - as restated				
Net Position - Ending				
				\$ 10,844,133

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

	Major Funds					Total Governmental Funds
	General Fund	Title I Fund	Vocational Education Fund	QZAB Debt Service Fund	Other Governmental Funds	
Assets						
Cash and cash equivalents (Note 2)	\$ 2,754,960				966,969	3,721,929
Cash with fiscal agent (Note 2)				761		761
Investments (Note 2)				704,523	482,791	1,187,314
Due from other governments	102,843	145,356	96,051		175,881	520,131
Due from other funds (Note 3)	376,481				162,953	539,434
Inventories					11,711	11,711
Total Assets	3,234,284	145,356	96,051	705,284	1,800,305	5,981,280
Liabilities and Fund Balances						
Liabilities						
Accounts payable & accrued liabilities	169,786	15,950	3,691		34,214	223,641
Due to other funds (Note 3)	177,192	129,406	92,360		163,438	562,396
Total Liabilities	346,978	145,356	96,051	0	197,652	786,037
Fund Balances						
Nond spendable						
Inventory					11,711	11,711
Permanent fund principal					342,197	342,197
Restricted						
Debt service				705,284	151,617	856,901
Capital projects					106,469	106,469
Forestry improvements					557,155	557,155
Unemployment benefits					32,812	32,812
Grant activities					399,766	399,766
Assigned						
School activities	29,887				926	29,887
Other purposes	10,575					11,501
Unassigned	2,846,844					2,846,844
Total Fund Balances	2,887,306	0	0	705,284	1,602,653	5,195,243
Total Liabilities and Fund Balances	\$ 3,234,284	145,356	96,051	705,284	1,800,305	5,981,280

CLAIBORNE COUNTY SCHOOL DISTRICT
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2014

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 5,195,243
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:</p>	
Land	473,980
Buildings	11,727,404
Building improvement	215,190
Mobile equipment	1,500,026
Furniture and equipment	674,029
Leased property under capital leases	440,580
Accumulated depreciation	<u>(7,955,112)</u>
	7,076,097
<p>Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:</p>	
QZAB bonds payable	(900,000)
Capital lease obligations	(416,250)
Compensated absences	(108,108)
Accrued interest payable	<u>(2,849)</u>
	<u>(1,427,207)</u>
Total Net Position - Governmental Activities	<u>\$ 10,844,133</u>

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

CLAIBORNE COUNTY SCHOOL DISTRICT
 Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
 For the Year Ended June 30, 2014

Major Funds	General Fund	Title I Fund	Vocational Education Fund	QZAB Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Local sources	\$ 4,756,310		7,427	27,232	184,725	4,975,694
State sources	6,389,955		991,960		178,024	7,559,939
Federal sources	67,120	1,043,529	27,821		1,985,506	3,123,976
Sixteenth section sources	969,434				119,805	1,089,239
Total Revenues	12,182,819	1,043,529	1,027,208	27,232	2,468,060	16,748,848
Expenditures						
Instruction	6,847,600	598,754	739,116		522,677	8,708,147
Support services	5,152,332	329,058	293,996		457,958	6,233,344
Noninstructional services	30,008	83,717			1,036,012	1,149,737
Sixteenth section	41,174				159,138	200,312
Debt service						
Principal (Note 6)	131,853				432,484	564,337
Interest	23,873			650	18,916	42,789
Other					1,250	1,900
Total Expenditures	12,226,840	1,011,529	1,033,112	650	2,628,435	16,900,566
Excess (Deficiency) of Revenues Over Expenditures	(44,021)	32,000	(5,904)	26,582	(160,375)	(151,718)
Other Financing Sources (Uses)						
Operating transfers in (Note 3)	2,462,673		5,904		273,413	2,741,990
Payments held by escrow agent				73,151		73,151
Operating transfers out (Note 3)	(192,951)	(32,000)			(2,517,039)	(2,741,990)
Payment to refunded bond escrow agent	(14,513)				(58,638)	(73,151)
Other financing uses					(28,206)	(28,206)
Total Other Financing Sources (Uses)	2,255,209	(32,000)	5,904	73,151	(2,330,470)	(28,206)
Net Change in Fund Balances	2,211,188	0	0	99,733	(2,490,845)	(179,924)
Fund Balances						
July 1, 2013, as previously reported	935,886	0	0	605,551	4,077,964	5,619,401
Prior period adjustments (Note 9)	(259,768)				15,255	(244,513)
July 1, 2013, as restated	676,118	0	0	605,551	4,093,219	5,374,888
Increase in reserve for inventory	0	0	0	0	279	279
June 30, 2014	\$ 2,887,306	0	0	705,284	1,602,653	5,195,243

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

CLAIBORNE COUNTY SCHOOL DISTRICT
 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures
 and Changes in Fund Balances to the Statement of Activities
 For the Year Ended June 30, 2014

Exhibit D-1

	<u>Amount</u>	
Net Change in Fund Balance - Governmental Funds	\$ (179,924)	
Amounts reported for governmental activities in the Statement of Activities are different because:		
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, those amounts are:		
Capital outlay	17,026	
Depreciation expense	<u>(321,466)</u>	(304,440)
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 position differs from the change in fund balance by the cost of the asset sold.		
		(70,664)
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 position. Also, governmental funds report the effect of 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:		
Payments of debt principal	564,337	
Accrued interest payable	<u>17,776</u>	582,113
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 the governmental funds. These activities include:		
Change in compensated absences	649	
Change in inventory reserve	<u>279</u>	<u>928</u>
Changes in Net Position of Governmental Activities		<u>\$ 28,013</u>

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

CLAIBORNE COUNTY SCHOOL DISTRICT
Statement of Fiduciary Assets and Liabilities
June 30, 2014

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents (Note 2)	\$ 618,504
Due from other funds (Note 3)	<u>32,859</u>
Total Assets	<u><u>651,363</u></u>
Liabilities	
Accounts payable and accrued liabilities	634,224
Due to other funds (Note 3)	9,897
Due to student clubs	<u>7,242</u>
Total Liabilities	<u><u>\$ 651,363</u></u>

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

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CLAIBORNE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2014

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a State appointed Conservator (See Note 15).

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

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements – The Statement of Net Position and the 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 Position presents the District's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

1. Net investment in capital assets 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 position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has 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:

CLAIBORNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2014

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.

Title I Fund - This Special Revenue Fund is used to account for the Federal funds whose use is restrict for services associated with educationally deprived students.

Vocational Education Fund - This Special Revenue Fund is used to account for the State and Federal funds whose use is restrict for services associated with providing vocational educational services to students.

QZAB Debt Service Fund - This Debt Service Fund is used to account for the resources that will be used to retire the QZAB debt at such time the balloon debt payment becomes due and payable.

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

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

The District's fiduciary funds include the following:

Payroll Clearing Fund - This fund is used as a clearing account for payroll and payroll related transactions.

Accounts Payable Clearing - This fund is used as a clearing account for non-payroll transactions.

Student Club Accounts - These funds are used to account for the transaction of student clubs.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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.

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.

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

In the government-wide Statement of Net Position 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

CLAIBORNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2014

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.

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 is both restricted and unrestricted net position 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 2012 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.

D. Encumbrances

An encumbrance system is maintained to account for commitments or assignments resulting from approved purchase orders, work orders and contracts. However, the school district attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported within committed or assigned fund balances.

E. Assets, liabilities and net position/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 Year Ended June 30, 2014

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.

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position 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. Certain federally and state funded programs are also restricted since their use is limited by Federal or State statute.

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 Position. 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

CLAIBORNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2014

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:

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

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

8. 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 a 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.

9. Long-term Liabilities

In the government-wide financial statements, outstanding debt is reported as liabilities.

10. 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.

CLAIBORNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2014

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. This formal action is documented in the board minutes of the school board. Currently there is no committed fund balance for this school district.

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 Conservator and the Business Manager.

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.

It is the policy of the School District to maintain a minimum fund balance in the General Fund that is not less than 7% of the revenues of the General Fund.

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 district's deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal 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.

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and

CLAIBORNE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2014

fiduciary funds was \$3,721,929 and \$618,504 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.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$761.

Investments

As of June 30, 2014, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
U.S. Government securities	AAA	Less than 1 year	\$ 704,523
Certificates of deposit	N/A	1 year	482,791
Total			\$ 1,187,314

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. As of June 30, 2014, the district did not have any investments to which this would apply.

Concentration of Credit Risk. Disclosure 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, 2014, the district had the following investments:

Issuer	Fair Value	% of Total Investments
Bank of River Hills - Certificate of Deposit	\$ 482,791	41%

Note 3 – Inter-fund Receivables, Payables and Transfers

The following is a summary of inter-fund transactions and balances:

CLAIBORNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2014

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Major fund - Title I Fund	\$ 129,406
	Major fund - Vocational Education Fund	92,360
	Other governmental funds	148,110
	Fiduciary funds	6,606
Other governmental funds	General Fund	147,625
	Other governmental funds	15,328
Fiduciary funds	General Fund	29,567
	Fiduciary funds	3,291
Total		<u>\$ 572,293</u>

The purpose of the more significant inter-fund loans from the General Fund was to eliminate deficit cash balances in certain federal programs in the Other Governmental Funds as part of the normal year end closing adjustments. The inter-fund loan associated with the Fiduciary Funds represents accrued payroll which will be paid from the General Fund.

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Major fund - Vocational Education Fund	\$ 5,904
	Other governmental funds	187,047
Major fund - Title I Fund	General Fund	32,000
Other governmental funds	General Fund	2,430,673
	Other governmental funds	86,366
Total		<u>\$ 2,741,990</u>

The transfer out of the General Fund was for the purpose of eliminating negative cash in the vocational program – Major Fund – Vocational Education and eliminating negative cash in the Other Governmental Funds. The transfer out of Title I Fund to the General Fund was for indirect cost. A large portion of the transfer out of Other Governmental Funds to the General Fund was due to the reclassification of the 16th Section Interest Fund to the General Fund since the 16th Section Interest Fund does not meet the definition of a special revenue fund. The transfer out of the other governmental funds to the other government funds was to transfer residual fund equity to close out old funds.

Note 4 – Restricted Assets

The restricted assets represent the investment balance of the Sixteenth Section Principal Fund (Permanent Fund) and the Debt Service Funds of \$482,791 and \$704,523, respectively which are legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets also consist of cash totaling \$966,969 and cash with fiscal agent totaling \$761 of various funds which are legally restricted and may not be used for purposes that support the district's programs.

Note 5 – Capital Assets

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

CLAIBORNE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2014

	Balance 7/1/2013	Increases	Decreases	Adjustments	Balance 6/30/2014
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 473,980				473,980
Total non-depreciable capital assets	473,980	0	0	0	473,980
<u>Depreciable capital assets:</u>					
Buildings	11,848,577			(121,173)	11,727,404
Building improvements	215,190				215,190
Mobile equipment	1,407,613	17,026	(698,834)	774,221	1,500,026
Furniture and equipment	805,075		(78,029)	(53,017)	674,029
Leased property under capital leases	1,215,456			(774,876)	440,580
Total depreciable capital assets	15,491,911	17,026	(776,863)	(174,845)	14,557,229
<u>Less accumulated depreciation for:</u>					
Buildings	6,185,730	171,349		(326,643)	6,030,436
Building improvements	60,251	8,608		2	68,861
Mobile equipment	1,218,961	87,598	(628,951)	480,409	1,158,017
Furniture and equipment	677,049	14,259	(77,248)	4,434	618,494
Leased property under capital leases	530,300	39,652		(490,648)	79,304
Total accumulated depreciation	8,672,291	321,466	(706,199)	(332,446)	7,955,112
Total depreciable capital assets, net	6,819,620	(304,440)	(70,664)	157,601	6,602,117
Governmental activities capital assets, net	\$ 7,293,600	(304,440)	(70,664)	157,601	7,076,097

The adjustments to capital assets was for the purpose of transferring lease property under capital leases to mobile equipment since the lease was retired during the fiscal year. Other adjustments were necessary to correctly state other accounts.

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 153,729
Support services	135,858
Non-instructional	31,879
Total depreciation expense - Governmental activities	\$ 321,466

Note 6 – Long-term Liabilities

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

	Balance 7/1/2013	Additions	Reductions	Balance 6/30/2014	Amounts due within one year
A. Limited obligation bonds payable	\$ 280,000		280,000	0	
B. Shortfall notes payable	152,484		152,484	0	
C. Obligations under capital leases	548,103		131,853	416,250	106,311
D. Qualified zone academy bonds payable	900,000			900,000	
E. Compensated absences payable	108,757		649	108,108	5,405
Total	\$ 1,989,344	0	564,986	1,424,358	111,716

CLAIBORNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2014

A. Limited obligation bonds payable

The limited obligation bonds were paid in full during the fiscal year.

B. Shortfall notes payable

The shortfall notes were paid in full during the fiscal year.

C. Obligations under capital leases

The school district has entered into a lease agreement as lessee for financing the acquisition of band equipment at a cost of \$174,142 with no down payment. This lease qualifies as a capital lease for accounting purposes.

The school district has entered into a lease agreement as lessee for financing the acquisition of school buses at a cost of \$450,000 with no down payment. This lease qualifies as a capital lease for accounting purposes.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Band equipment lease	6.83	7/28/2011	8/1/2015	\$ 174,142	72,129
2. Sub-lease buses, 2012A	3.68	12/20/2012	10/10/2018	450,000	344,121
Total				<u>\$ 624,142</u>	<u>416,250</u>

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

1. Obligations under capital leases – band equipment lease.

Year Ending June 30	Principal	Interest	Total
2015	\$ 34,644	2,843	37,487
2016	37,485		37,485
Total	<u>\$ 72,129</u>	<u>2,843</u>	<u>74,972</u>

This debt will be retired from the district maintenance fund (General Fund).

2. Obligations under capital leases – sub-lease buses, 2014A.

Year Ending June 30	Principal	Interest	Total
2015	\$ 71,667	12,010	83,677
2016	74,329	9,349	83,678
2017	77,089	6,588	83,677
2018	79,953	3,725	83,678
2019	41,083	756	41,839
Total	<u>\$ 344,121</u>	<u>32,428</u>	<u>376,549</u>

This debt will be retired from the district maintenance fund (General Fund).

CLAIBORNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2014

Total obligations under capital leases.

Year Ending June 30	Principal	Interest	Total
2015	\$ 106,311	14,853	121,164
2016	111,814	9,349	121,163
2017	77,089	6,588	83,677
2018	79,953	3,725	83,678
2019	41,083	756	41,839
Total	<u>\$ 416,250</u>	<u>35,271</u>	<u>451,521</u>

D. Qualified zone academy bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified zone academy bonds	0	12/28/2005	12/28/2015	<u>\$ 900,000</u>	<u>900,000</u>

E. Compensated absences payable

As more fully explained in Note 1(E)(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 as of June 30, 2014 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2014, 2013 and 2012 were \$1,364,384, \$1,279,459 and \$1,226,526, respectively, which equaled the required contributions for each year.

Note 8 – Sixteenth Section Lands

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

CLAIBORNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2014

Year Ending June 30	Amount
2015	\$ 234,064
2016	156,229
2017	86,472
2018	17,697
2019	1,601
2020 – 2024	8,005
2025 – 2029	6,965
Thereafter	6,295
Total	\$ 517,328

Note 9 – Prior Period Adjustments

A summary of significant Net Position/Fund Balance adjustments is as follows:

Exhibit B - Statement of Activities

Explanation	Amount
1. Adjustments to capital assets	\$ 157,601
2. Restatement of a prior year asset	(259,768)
3. Restatement of a prior year liability	15,255
Total	\$ (86,912)

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

Fund	Explanation	Amount
General Fund	Restatement of a prior year asset	\$ (259,768)
Other governmental funds	Restatement of a prior year liability	15,255
Total		\$ (244,513)

Note 10 – Contingencies

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

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 11 – Risk Management

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

Participation in Public Entity Risk Pool

CLAIBORNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2014

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 94 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.

Note 12 – Qualified Zone Academy Bonds

Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105 – 34) provides for a source of capital at no or nominal interest rates for costs incurred by certain public schools in connection with the establishment of special academic programs from kindergarten through secondary school, in partnership with the business community. The school district in agreement with Trustmark National Bank, has entered into such an arrangement dated December 28, 2005. The partner will donate contributions that are to represent at least 10% of the Qualified Zone Academy Bonds loan amount.

The agreement establishes a method of repayment for the qualified interest-free instrument. The agreement requires the school district to deposit funds annually into a sinking fund account each year over a period of ten years. The amount on deposit at June 30, 2014 was \$705,283. The amount accumulated in the sinking fund at the end of the ten-year will be sufficient to retire the debt. In the event insufficient funds are available in the sinking fund, the district will satisfy the sinking fund requirements with resources in the General Fund. The following schedule reports the yearly deposits to be made to the sinking fund by the school district.

Year Ending	<u>Amount</u>
<u>June 30</u>	
2015	\$ 72,501

Note 13 - Subsequent Events

Events that occur after the Statement of Net Position 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 Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the School District evaluated the activity of the district through February 20, 2015 and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements:

On August 13, 2014 the Conservator authorized the issuance of \$480,000 in Three Mill Ten Year Notes for acquiring, improving, constructing, renovating, repairing, heating, cooling, and equipping school buildings and related facilities, purchasing land thereof, performing site work, purchasing school buses and transportation equipment, refinancing outstanding debt and to pay the costs of such borrowing.

Note 14 – Economic Dependency

The school district is significantly economically dependent on an in lieu ad valorem tax payer (Grand Gulf Nuclear Power Plant). In the event of a loss of the in lieu taxes, the district would encounter an economic hardship.

Note 15 – Other Disclosure

In September 2013, the Mississippi State Board of Education in accordance with state law appointed a Conservator to oversee, manage, or otherwise take control of the governance and administration of the Claiborne County School District. At such time, the then elected Superintendent of Education and five elected School Board Members of the Claiborne County School District were removed from office effective immediately. The Conservator will serve in this capacity until such time the Mississippi State Board of Education determines otherwise.

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REQUIRED SUPPLEMENTARY INFORMATION

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CLAIBORNE COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule for the General Fund
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local sources	\$ 5,158,400	4,754,815	4,756,310	(403,585)	1,495
State sources	6,023,721	6,389,955	6,389,955	366,234	0
Federal sources	106,500	67,152	67,120	(39,348)	(32)
Sixteenth section sources	0	0	969,434	0	969,434
Total Revenues	11,288,621	11,211,922	12,182,819	(76,699)	970,897
Expenditures					
Instruction	6,786,303	9,847,600	6,847,600	(3,061,297)	3,000,000
Support services	4,777,567	5,152,332	5,152,332	(374,765)	0
Noninstructional services	18,500	30,008	30,008	(11,508)	0
Sixteenth section	0	0	41,174	0	(41,174)
Debt service					
Principal	140,392	140,392	131,853	0	8,539
Interest	10,201	15,334	23,873	(5,133)	(8,539)
Total Expenditures	11,732,963	15,185,666	12,226,840	(3,452,703)	2,958,826
Excess (Deficiency) of Revenues Over Expenditures	(444,342)	(3,973,744)	(44,021)	(3,529,402)	3,929,723
Other Financing Sources (Uses)					
Insurance loss recoveries	5,000	0	0	(5,000)	0
Sale of other property	200	0	0	(200)	0
Operating transfers in	663,530	1,374,453	2,462,673	710,923	1,088,220
Operating transfers out	(183,153)	(252,763)	0	(69,610)	252,763
Payment to refunded bond escrow agent	(15,000)	(14,513)	(192,951)	487	(178,438)
Other financing uses	0	0	(14,513)	0	(14,513)
Total Other Financing Sources (Uses)	470,577	1,107,177	2,255,209	636,600	1,148,032
Net Change in Fund Balances			2,211,188		
Fund Balances					
July 1, 2013, as previously reported			935,886		
Prior period adjustments			(259,768)		
July 1, 2013, as restated			<u>676,118</u>		
June 30, 2014			<u>\$ 2,887,306</u>		

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

CLAIBORNE COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule for the Major Special Revenue Fund - Title I Fund
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
	Revenues				
Federal sources	\$ 1,000,640	1,043,529	1,043,529	42,889	0
Total Revenues	<u>1,000,640</u>	<u>1,043,529</u>	<u>1,043,529</u>	<u>42,889</u>	<u>0</u>
Expenditures					
Instruction	589,149	598,754	598,754	(9,605)	0
Support services	269,676	329,058	329,058	(59,382)	0
Noninstructional services	94,139	83,717	83,717	10,422	0
Total Expenditures	<u>952,964</u>	<u>1,011,529</u>	<u>1,011,529</u>	<u>(58,565)</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>47,676</u>	<u>32,000</u>	<u>32,000</u>	<u>(15,676)</u>	<u>0</u>
Other Financing Sources (Uses)					
Operating transfers out	(20,000)	(32,000)	(32,000)	(12,000)	0
Total Other Financing Sources (Uses)	<u>(20,000)</u>	<u>(32,000)</u>	<u>(32,000)</u>	<u>(12,000)</u>	<u>0</u>
Net Change in Fund Balances			<u>0</u>		
Fund Balances					
July 1, 2013			<u>0</u>		
June 30, 2014			<u>\$ 0</u>		

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

CLAIBORNE COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule for the Major Special Revenue Fund - Vocational Education Fund
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local sources	\$ 8,500	7,427	7,427	(1,073)	0
State sources	850,712	991,960	991,960	141,248	0
Federal sources	27,096	27,821	27,821	725	0
Total Revenues	<u>886,308</u>	<u>1,027,208</u>	<u>1,027,208</u>	<u>140,900</u>	<u>0</u>
Expenditures					
Instruction	592,998	739,116	739,116	(146,118)	0
Support services	293,310	293,996	293,996	(686)	0
Total Expenditures	<u>886,308</u>	<u>1,033,112</u>	<u>1,033,112</u>	<u>(146,804)</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>(5,904)</u>	<u>(5,904)</u>	<u>(5,904)</u>	<u>0</u>
Other Financing Sources (Uses)					
Operating transfers in		5,904	5,904	5,904	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>5,904</u>	<u>5,904</u>	<u>5,904</u>	<u>0</u>
Net Change in Fund Balances			<u>0</u>		
Fund Balances					
July 1, 2013			<u>0</u>		
June 30, 2014			<u>\$ 0</u>		

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

CLAIBORNE COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2014

(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 following the end of the fiscal year. A budgetary comparison is presented for the general fund and each major special revenue fund on the same basis of accounting as the budget which is consistent with accounting principles generally accepted in the United States of America.

SUPPLEMENTARY INFORMATION

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CLAIBORNE COUNTY SCHOOL DISTRICT
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2014

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 373,814
National school lunch program	10.555	772,071
Summer food service program for children	10.559	29,649
Total child nutrition cluster		<u>1,175,534</u>
Fresh fruits and vegetable program	10.582	20,151
Child and adult care food program	10.558	7,777
Total U.S. Department of Agriculture		<u>1,203,462</u>
 U.S. Department of Defense		
Direct program:		
Reserve officers' training corps	12.xxx	60,248
Total U.S. Department of Defense		<u>60,248</u>
 U.S. Department of Education		
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	1,155,098
Career and technical education - basic grants to states	84.048	27,821
Safe and drug-free schools and communities - state grants	84.186	438
Rural education	84.358	29,298
Improving teacher quality - state grants	84.367	163,352
Total		<u>1,376,007</u>
Education technology state grants cluster:		
Education technology - state grants	84.318	28,135
ARRA - education technology - state grants, recovery act	84.386	3,613
Total education technology state grants cluster		<u>31,748</u>
Special education cluster:		
Special education - grants to states	84.027	413,745
Special education - preschool grants	84.173	10,277
Total special education cluster		<u>424,022</u>
Total passed-through Mississippi Department of Education		<u>1,831,777</u>
Total U.S. Department of Education		<u>1,831,777</u>
 U.S. Department of Health and Human Services		
Passed-through Mississippi Department of Education:		
Medical assistance program	93.778	6,410
Total U.S. Department of Health and Human Services		<u>6,410</u>
Total for All Federal Awards		<u>\$ 3,101,897</u>

NOTES TO SCHEDULE

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

CLAIBORNE COUNTY SCHOOL DISTRICT

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2014

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administrative	School Administration	Other
Salaries and fringe benefits	\$ 12,095,138	8,794,315	545,671	911,906	1,843,246
Other	4,805,428	1,305,296	439,727	33,837	3,026,568
Total	16,900,566	10,099,611	985,398	945,743	4,869,814
 Total number of students	 1,606				
 Cost per student	 \$ 10,524	 6,289	 614	 589	 3,032

Notes to the schedule.

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.

Total number of students - the ADA report submission for month 9, which is the final submission for the school year.

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OTHER INFORMATION

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

UNAUDITED

	2014	2013*	2012*	2011*
Revenues				
Local sources	\$ 4,756,310	4,624,697	4,661,593	4,685,563
State sources	6,389,955	6,161,319	6,102,587	5,770,904
Federal sources	67,120	57,087	89,743	95,737
Sixteenth section sources	969,434	0	0	0
Total Revenues	12,182,819	10,843,103	10,853,923	10,552,204
Expenditures				
Instruction	6,847,600	6,753,717	6,906,000	6,059,134
Support services	5,152,332	5,334,126	4,822,627	4,486,609
Noninstructional services	30,008	219,460	194,123	10,350
Sixteenth section	41,174	0	0	0
Debt service				
Principal	131,853	125,638	96,850	100,030
Interest	23,873	19,740	6,689	11,346
Total Expenditures	12,226,840	12,452,681	12,026,289	10,667,469
Excess (Deficiency) of Revenues Over Expenditures	(44,021)	(1,609,578)	(1,172,366)	(115,265)
Other Financing Sources (Uses)				
Proceeds of loans	0	0	0	432,148
Inception of capital leases	0	450,000	174,142	0
Insurances loss recoveries	0	19,410	16,521	65,100
Operating transfers in	2,462,673	1,340,820	1,089,861	137,884
Operating transfers out	(192,951)	(372,478)	(350,153)	(438,077)
Payment to refunded bond escrow agent	(14,513)	(14,513)	(14,513)	(14,521)
Other financing uses	0	0	(214)	0
Total Other Financing Sources (Uses)	2,255,209	1,423,239	915,644	182,534
Net Change in Fund Balances	2,211,188	(186,339)	(256,722)	67,269
Fund Balances				
July 1, as previously reported	935,886	1,115,371	1,373,785	1,368,061
Prior period adjustments	(259,768)	6,854	(1,692)	(61,545)
July 1, as restated	676,118	1,122,225	1,372,093	1,306,516
June 30	\$ 2,887,306	935,886	1,115,371	1,373,785

* Source - Prior year audit reports.

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

UNAUDITED

	2014	2013*	2012*	2011*
Revenues				
Local sources	\$ 4,975,694	4,672,642	4,701,281	4,947,430
State sources	7,559,939	7,460,717	7,677,187	7,032,441
Federal sources	3,123,976	3,189,598	4,573,367	5,645,443
Sixteenth section sources	1,089,239	1,104,095	1,583,973	1,504,040
Total Revenues	16,748,848	16,427,052	18,535,808	19,129,354
Expenditures				
Instruction	8,708,147	8,657,375	9,946,689	9,695,061
Support services	6,233,344	6,219,127	6,060,775	5,946,920
Noninstructional services	1,149,737	1,708,761	1,543,681	1,425,753
Sixteenth section	200,312	459,982	270,438	94,492
Debt service				
Principal	564,337	658,741	763,832	716,418
Interest	42,789	68,622	90,619	108,723
Other	1,900	550	1,840	1,235
Total Expenditures	16,900,566	17,773,158	18,677,874	17,988,602
Excess (Deficiency) of Revenues Over Expenditures	(151,718)	(1,346,106)	(142,066)	1,140,752
Other Financing Sources (Uses)				
Proceeds of loans	0	0	0	432,148
Inception of capital leases	0	450,000	174,142	0
Payments held by escrow agent	73,151	73,151	73,151	73,151
Insurances loss recoveries	0	19,410	16,521	65,100
Operating transfers in	2,741,990	1,731,118	1,440,014	613,209
Operating transfers out	(2,741,990)	(1,731,118)	(1,440,014)	(613,209)
Payment to refunded bond escrow agent	(73,151)	(73,151)	(73,151)	(73,151)
Other financing uses	(28,206)	0	(214)	(245)
Total Other Financing Sources (Uses)	(28,206)	469,410	190,449	497,003
Net Change in Fund Balances	(179,924)	(876,696)	48,383	1,637,755
Fund Balances				
July 1, as previously reported	5,619,401	6,644,747	6,615,244	5,019,621
Prior period adjustments	(244,513)	(152,620)	(3,306)	(54,200)
July 1, as restated	<u>5,374,888</u>	<u>6,492,127</u>	<u>6,611,938</u>	<u>4,965,421</u>
Increase (Decrease) in reserve for inventory	279	3,970	(15,574)	12,068
June 30	<u>\$ 5,195,243</u>	<u>5,619,401</u>	<u>6,644,747</u>	<u>6,615,244</u>

* Source - Prior year audit reports.

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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CHARLES L. SHIVERS

Certified Public Accountant

Post Office Box 2775
Ridgeland, Mississippi 39158

Phone: 601.941.6649
Email: clscpa@bellsouth.net

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

Independent Auditor's Report

Conservator
Claiborne County School District

I have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Claiborne County School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Claiborne County School District's basic financial statements, and have issued my report thereon dated February 20, 2015.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Claiborne County School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Claiborne County School District's internal control. Accordingly, I do not express an opinion on the effectiveness of Claiborne County School District's internal control.

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. 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.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that I consider to be significant deficiencies. [2014-01]

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Claiborne County School District's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Claiborne County School District's Response to Findings

Claiborne County School District's response to the finding identified in my audit is described in the accompanying Auditee's Corrective Action Plan. Claiborne County School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Charles L Shivers, CPA

Ridgeland, MS
February 20, 2015

CHARLES L. SHIVERS

Certified Public Accountant

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Ridgeland, Mississippi 39158

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Independent Auditor's Report

Conservator
Claiborne County School District

Report on Compliance for Each Major Federal Program

I have audited Claiborne County School District's compliance 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 Claiborne County School District's major federal programs for the year ended June 30, 2014. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of Claiborne County School District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 I 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 Claiborne County School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Claiborne County School District's compliance.

Opinion on Each Major Federal Program

In my opinion, Claiborne County School District complied, in all material respects, with the types of 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, 2014.

Report on Internal Control Over Compliance

Management of Claiborne County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Claiborne County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are

appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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, I do not express an opinion on the effectiveness of Claiborne County 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 significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Charles L Shivers, CPA

Ridgeland, MS
February 20, 2015

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

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CHARLES L. SHIVERS

Certified Public Accountant

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

Conservator
Claiborne County School District

I 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, 2014, which collectively comprise Claiborne County School District's basic financial statements and have issued my report thereon dated February 20, 2015. I conducted my 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, I 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 my audit and, accordingly, I do not express such an opinion.

The results of my 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 \$-0- 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 my 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, I 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 my audit and, accordingly, I do not express such an opinion.

The results of procedures performed to test compliance with certain other state laws and regulations and my audit of the financial statements did not disclose any instances of noncompliance with other state laws and regulations.

This report is intended solely for the information and use of the Conservator and management, entities with accreditation overview, federal awarding agencies, the Office of the State Auditor and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Charles L Shivers, CPA

Ridgeland, MS
February 20, 2015

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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CLAIBORNE COUNTY SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 June 30, 2014

Section I: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|------------|
| 1. | Type of auditor's report issued on the basic financial statements: | Unmodified |
| 2. | Noncompliance material to the basic financial statements noted? | No |
| 3. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiency identified that are not considered to be material weaknesses? | Yes |

Federal Awards:

- | | | |
|----|--|---------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unmodified |
| 5. | Internal control over major programs: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiency identified that are not considered to be material weaknesses? | None Reported |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | No |
| 7. | Federal program identified as major program: | |
| | a. Child nutrition cluster | |
| | CFDA #: 10.553 | |
| | CFDA #: 10.555 | |
| | CFDA #: 10.559 | |
| | b. Special education cluster | |
| | CFDA #: 84.027 | |
| | CFDA#: 84.173 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10 | Prior fiscal year audit findings and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____ .315(b) of OMB Circular A-133? | No |

Section II: Financial Statement Findings

Significant deficiencies identified that are not considered to be material weaknesses.

Finding 2014-01.

CONDITION: The business manager initiates, prepares, approves and enters all journal entries to correct, post, or otherwise cause the proper statement of the account balances and/or classes of transactions. In addition the business manager reconciles the district's bank accounts and has control of the blank checks.

CRITERIA: Appropriately and properly designed internal accounting controls would have these duties segregated to the greatest extent possible.

CAUSE OF CONDITION: The cause of this condition is an inadequately designed system of accounting controls and is a result of limited staff in the central office.

CLAIBORNE COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
June 30, 2014

EFFECT OF CONDITION: This condition could lead to errors being made and those errors not being prevented or detected.

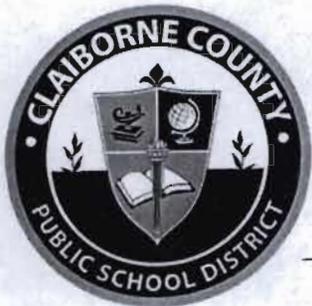
RECOMMENDATION: It is recommended that the duties of the business manager be segregated to the greatest extent possible.

Section III: Federal Award Findings and Questioned Costs

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

AUDITEE'S CORRECTIVE ACTION PLAN

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CLAIBORNE COUNTY PUBLIC SCHOOL DISTRICT

Dr. Jayne Sargent, Conservator

February 20, 2015

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, 2014.

Finding 2014-1

Corrective Action Plan

- a. Contact person responsible for corrective action:
 Johnnie Thompson, Business Manager.
- b. Description of correction action to be taken:
 The district will utilize the services of the Financial Consultant to review month end reconciliations and other documents to mitigate the control deficiency.
- c. Anticipated completion date of corrective action:
 Immediately.

Sincerely,

A handwritten signature in cursive script that reads "Jayne Sargent".

Dr. Jayne Sargent
Conservator



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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Dr. Jayne Sargent, District Conservator
Dr. Sandra Nash, Deputy Supt./Curric. & Instruction
Ms. Debra Knox, SPED Director
Ms. Johnnie Thompson, Business Manager
Mrs. Rhonda Stacker, Food Service

"Every Student—Every Parent—Every Employee—One Goal"

Summary Schedule of Prior Audit Findings

February 16, 2015

Financial and Compliance Audit Division

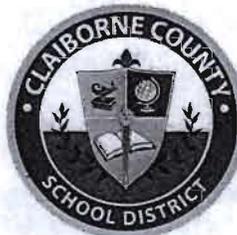
As required by Section ____ .315(b) of OMB Circular A-133, the Claiborne County School District has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of June 30, 2014.

<u>Finding</u>	<u>Status</u>
2013-1	Corrected

Sincerely,

Conservator

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