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**CLAIBORNE COUNTY SCHOOL DISTRICT**

**Audited Financial Statements  
For the Year Ended June 30, 2015**

**Charles L. Shivers, CPA, LLC  
Ridgeland, MS**

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INDEPENDENT AUDITOR'S REPORT

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# CHARLES L. SHIVERS, CPA, LLC

*Certified Public Accountant*

Post Office Box 2775  
Ridgeland, Mississippi 39158

Phone: 601.941.6649  
Email: clscpa@bellsouth.net

## INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board  
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, 2015, 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, 2015, 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, budgetary comparison information, schedule of the district's proportionate share of the net pension liability and schedule of district contributions 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic 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 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 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 April 25, 2016, 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, LLC*

Ridgeland, MS  
April 25, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

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CLAIBORNE COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015

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, 2015. 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 2015 decreased \$17,196,473, including a prior period adjustment of (\$18,939,895) due primarily to the recording of the net pension liability, which represents a 159% decrease from fiscal year 2014. 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.
- General revenues amounted to \$13,339,145 and \$12,873,503, or 75% and 77% of all revenues for fiscal years 2015 and 2014, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,553,528, or 25% of total revenues for 2015, and \$3,875,345, or 23% of total revenues for 2014.
- The District had \$16,149,251 and \$16,720,835 in expenses for fiscal years 2015 and 2014; only \$4,553,528 for 2015 and \$3,875,345 for 2014 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$13,339,145 for 2015 and \$12,873,503 for 2014 were adequate to provide for these programs.
- Among major funds, the General Fund had \$12,589,863 in revenues and \$11,763,764 in expenditures for 2015, and \$12,182,819 in revenues and \$12,226,840 in expenditures in 2014. The General Fund's fund balance increased by \$970,456 from 2014 to 2015, and increased by \$1,951,420 from 2013 to 2014, including a prior period adjustment of (\$259,768).
- Capital assets, net of accumulated depreciation, increased by \$243,638 for 2015 and decreased by \$217,503 for 2014. The increase for 2015 was due primarily to the addition of mobile equipment and furniture and equipment.
- Long-term debt increased by \$87,864 for 2015 and decreased by \$564,986 for 2014. The increase for 2015 was due primarily to the issuance of three mill notes payable during the fiscal year. The liability for compensated absences decreased by \$10,825 for 2015 and decreased by \$649 for 2014.

#### 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, deferred outflows, liabilities, and deferred inflows, with the difference 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, pension expense 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. Additionally, the Schedule of the District's Proportionate Share of the Net Pension Liability and the Schedule of District's Contributions are presented in this section.

## 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. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$6,352,340 as of June 30, 2015.

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, 2015 and June 30, 2014.

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

**Table 1**  
**Condensed Statement of Net Position**

	June 30, 2015	June 30, 2014	Percentage Change
Current assets	\$ 4,209,302	\$ 3,293,407	27.81 %
Restricted assets	2,628,083	2,155,044	21.95 %
Capital assets, net	7,319,735	7,076,097	3.44 %
<b>Total assets</b>	<b>14,157,120</b>	<b>12,524,548</b>	<b>13.03 %</b>
<b>Deferred outflows of resources</b>	<b>1,563,971</b>	<b>0</b>	<b>N/A</b>
Current liabilities	318,791	256,057	24.50 %
Long-term debt outstanding	1,512,222	1,424,358	6.17 %
Net pension liability	17,271,765	0	N/A
<b>Total liabilities</b>	<b>19,102,778</b>	<b>1,680,415</b>	<b>1,036.79 %</b>
<b>Deferred inflows of resources</b>	<b>2,970,653</b>	<b>0</b>	<b>N/A</b>
<b>Net position:</b>			
Net investment in capital assets	6,011,492	5,866,316	2.47 %
Restricted	2,552,543	2,197,693	16.15 %
Unrestricted	(14,916,375)	2,780,124	(636.54) %
<b>Total net position (deficit)</b>	<b>\$ (6,352,340)</b>	<b>\$ 10,844,133</b>	<b>(158.58) %</b>

Additional information on unrestricted net position:

In connection with the implementation of new standards on accounting and financial reporting for pensions, management presents the following additional information:

Total unrestricted net position (deficit)	\$ (14,916,375)
Less unrestricted deficit in net position resulting from recognition of the net pension Liability	<u>18,678,447</u>
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 3,762,072</u>

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

- Increase in net capital assets in the amount of \$243,638.
- Implementation of GASB Statement No. 68 which required the recording of a liability for the proportionate share of the school district as well as the recording of deferred outflows/inflows of resources on the Statement of Net Position.
- The issuance of long-term debt in the amount of \$480,000.
- The principal retirement of \$381,311 of long-term debt.
- The net pension liability in the amount of \$17,271,765.

### Changes in net position

The District's total revenues for the fiscal years ended June 30, 2015 and June 30, 2014 were \$17,892,673 and \$16,748,848, respectively. The total cost of all programs and services was \$16,149,251 for 2015 and \$16,720,835 for 2014.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2015 and June 30, 2014.

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

**Table 2  
Changes in Net Position**

	<u>Year Ended June 30, 2015</u>	<u>Year Ended June 30, 2014</u>	<u>Percentage Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 358,331	\$ 220,559	62.46 %
Operating grants and contributions	4,195,197	3,654,786	14.79 %
General revenues:			
Property taxes	4,795,515	4,778,566	0.35 %
Grants and contributions not restricted	7,075,069	7,029,129	0.65 %
Investment earnings	50,498	36,674	37.69 %
Sixteenth section sources	1,348,609	973,245	38.57 %
Other	69,454	55,889	24.27 %
<b>Total revenues</b>	<u>17,892,673</u>	<u>16,748,848</u>	<b>6.83 %</b>
<b>Expenses:</b>			
Instruction	7,521,195	8,889,628	(15.39) %
Support services	6,336,923	6,422,678	(1.34) %
Non-instructional	951,915	1,181,304	(19.42) %
Sixteenth section	317,037	200,312	58.27 %
Pension expense	1,001,770	0	N/A
Interest on long-term liabilities	20,411	26,913	(24.16) %
<b>Total expenses</b>	<u>16,149,251</u>	<u>16,720,835</u>	<b>(3.42) %</b>
<b>Increase (Decrease) in net position</b>	<u>1,743,422</u>	<u>28,013</u>	<b>6,123.62 %</b>
<b>Net Position, July 1, as previously reported</b>	<u>10,844,133</u>	<u>10,903,032</u>	<b>(0.54) %</b>
<b>Prior Period Adjustment</b>	<u>(18,939,895)</u>	<u>(86,912)</u>	<b>(21,692.04) %</b>
<b>Net Position, July 1, as restated</b>	<u>(8,095,762)</u>	<u>10,816,120</u>	<b>(174.85) %</b>
<b>Net Position (deficit), June 30</b>	<u>\$ (6,352,340)</u>	<u>\$ 10,844,133</u>	<b>(158.58) %</b>

### Governmental activities

The following table presents the cost of six major District functional activities: instruction, support services, non-instructional, sixteenth section, pension expense, 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.

GASB 68 was implemented in fiscal year 2015. Prior year amounts do not reflect the implementation of GASB 68.

**Table 3**  
**Net Cost of Governmental Activities**

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2015</u>	<u>2014</u>	
Instruction	\$ 7,521,195	\$ 8,889,628	(15.39) %
Support services	6,336,923	6,422,678	(1.34) %
Non-instructional	951,915	1,181,304	(19.42) %
Sixteenth section	317,037	200,312	58.27 %
Pension Expense	1,001,770	0	N/A
Interest on long-term liabilities	20,411	26,913	(24.16) %
<b>Total expenses</b>	<b>\$ 16,149,251</b>	<b>\$ 16,720,835</b>	<b>(3.42) %</b>

  

	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2015</u>	<u>2014</u>	
Instruction	\$ (5,892,809)	\$ (7,308,984)	(19.38) %
Support services	(4,826,924)	(5,467,971)	(11.72) %
Non-instructional	275,250	47,039	485.15 %
Sixteenth section	(129,059)	(88,661)	45.56 %
Pension Expense	(1,001,770)	0	N/A
Interest on long-term liabilities	(20,411)	(26,913)	(24.16) %
<b>Total net (expense) revenue</b>	<b>\$ (11,595,723)</b>	<b>\$ (12,845,490)</b>	<b>(9.73) %</b>

- Net cost of governmental activities (\$11,595,723 for 2015 and \$12,845,490 for 2014) was financed by general revenue, which is primarily made up of property taxes (\$4,795,515 for 2015 and \$4,778,566 for 2014) and state and federal revenues (\$7,075,069 for 2015 and \$7,029,129 for 2014). In addition, there was \$1,348,609 and \$973,245 in Sixteenth Section sources for 2015 and 2014, respectively.
- Investment earnings amounted to \$50,498 for 2015 and \$36,674 for 2014.

#### 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 \$6,521,127, an increase of \$1,325,884, which includes an increase in inventory of \$5,874. \$3,822,721, or 59% 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 \$2,698,406, or 41% 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 \$970,456. The fund balance of Other Governmental Funds showed an increase in the amount of \$242,124, which includes an

increase in inventory of \$5,874. 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
School Improvement Grant Fund	no increase or decrease
QZAB Debt Service Fund	\$ 113,304

## 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, 2015, the District's total capital assets were \$15,501,090, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and leased property under capital leases. This amount represents a gross increase of \$469,881 from 2014. During the fiscal year, the District purchased seven school buses and various other items of mobile equipment and furniture and equipment. Total accumulated depreciation as of June 30, 2015, was \$8,181,355, and total depreciation expense for the year was \$329,654, resulting in total net capital assets of \$7,319,735.

**Table 4**  
**Capital Assets, Net of Accumulated Depreciation**

	June 30, 2015	June 30, 2014	Percentage Change
Land	\$ 473,980	\$ 473,980	0.00 %
Buildings	5,525,620	5,696,968	(3.01) %
Building improvements	137,721	146,329	(5.88) %
Mobile equipment	771,343	342,009	125.53 %
Furniture and equipment	89,448	55,535	61.07 %
Leased property under capital leases	321,623	361,276	(10.98) %
<b>Total</b>	<b>\$ 7,319,735</b>	<b>\$ 7,076,097</b>	<b>3.44 %</b>

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

**Debt Administration.** At June 30, 2015, the District had \$1,512,222 in outstanding long-term debt, of which \$1,221,678 is due within one year. During the fiscal year, the District received proceeds from the issuance of a three mill note in the amount of \$480,000. The District made principal payments totaling \$381,311 on outstanding long-term debt. The liability for compensated absences decreased \$10,825 from the prior year.

**Table 5**  
**Outstanding Long-Term Debt**

	June 30, 2015	June 30, 2014	Percentage Change
Three mill notes payable	\$ 205,000	\$ 0	N/A
Obligations under capital leases	309,939	416,250	(25.54) %
Qualified zone academy bonds payable	900,000	900,000	0.00 %
Compensated absences payable	97,283	108,108	(10.01) %
<b>Total</b>	<b>\$ 1,512,222</b>	<b>\$ 1,424,358</b>	<b>6.17 %</b>

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.

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BASIC FINANCIAL STATEMENTS

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CLAIBORNE COUNTY SCHOOL DISTRICT  
Statement of Net Position  
June 30, 2015

Exhibit A

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 3,627,492
Due from other governments	564,225
Inventories	17,585
Restricted assets (Note 4)	2,628,083
Non-depreciable capital assets (Note 5)	473,980
Depreciable capital assets, net (Note 5)	6,845,755
<b>Total Assets</b>	<u>14,157,120</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflow - pensions (Note 7)	1,563,971
<b>Total Deferred Outflows of Resources</b>	<u>1,563,971</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	286,334
Interest payable on long-term liabilities	2,533
Unearned revenue	29,924
<b>Long-term liabilities (Due within one year) (Note 6)</b>	
Capital related liabilities	1,216,814
Non-capital related liabilities	4,864
<b>Long-term liabilities (Due beyond one year) (Note 6)</b>	
Capital related liabilities	198,125
Non-capital related liabilities	92,419
Net pension liability (Note 7)	17,271,765
<b>Total Liabilities</b>	<u>19,102,778</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows - pensions (Note 7)	2,970,653
<b>Total Deferred Inflows of Resources</b>	<u>2,970,653</u>
<b>Net Position</b>	
Net investment in capital assets	6,011,492
Restricted net position	
Expendable	
School-based activities	675,847
Debt service	821,269
Forestry improvements	683,006
Unemployment benefits	30,223
Non-expendable	
Sixteenth section	342,198
Unrestricted	<u>(14,916,375)</u>
<b>Total Net Position</b>	<u>\$ (6,352,340)</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, 2015

Exhibit B

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
<b>Governmental Activities</b>				
Instruction	\$ 7,521,195	76,677	1,551,709	(5,892,809)
Support services	6,336,923	47,749	1,462,250	(4,826,924)
Non-instructional	951,915	45,927	1,181,238	275,250
Sixteenth section	317,037	187,978		(129,059)
Pension expense	1,001,770			(1,001,770)
Interest on long-term liabilities	20,411			(20,411)
<b>Total Governmental Activities</b>	<b>16,149,251</b>	<b>358,331</b>	<b>4,195,197</b>	<b>(11,595,723)</b>
<b>General Revenues</b>				
Taxes				
General purpose levies				4,665,940
Debt purpose levies				129,575
Unrestricted grants and contributions				
State				7,029,817
Federal				45,252
Unrestricted investment earnings				50,498
Sixteenth section sources				1,348,609
Other				69,454
<b>Total General Revenues</b>				<b>13,339,145</b>
<b>Changes in Net Position</b>				<b>1,743,422</b>
Net Position - Beginning, as previously reported				10,844,133
Prior Period Adjustments (Note 9)				(18,939,895)
Net Position - Beginning - as restated				<b>(8,095,762)</b>
Net Position - Ending				<b>\$ (6,352,340)</b>

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

CLAIBORNE COUNTY SCHOOL DISTRICT  
 Balance Sheet - Governmental Funds  
 June 30, 2015

Exhibit C

	Major Funds					Total Governmental Funds
	General Fund	Title I Fund	School Improvement Fund	QZAB Debt Service Fund	Other Governmental Funds	
<b>Assets</b>						
Cash and cash equivalents (Note 2)	\$ 3,627,492				1,326,113	4,953,605
Cash with fiscal agent (Note 2)				94		94
Investments (Note 2)				818,494	483,382	1,301,876
Due from other governments	132,588	169,340	166,395		95,880	564,203
Due from other funds (Note 3)	318,227					318,227
Inventories					17,585	17,585
<b>Total Assets</b>	<b>4,078,307</b>	<b>169,340</b>	<b>166,395</b>	<b>818,588</b>	<b>1,922,960</b>	<b>7,155,590</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable & accrued liabilities	220,545	1,000	49,531		15,258	286,334
Due to other funds (Note 3)		168,340	116,864		33,001	318,205
Unavailable revenue					29,924	29,924
<b>Total Liabilities</b>	<b>220,545</b>	<b>169,340</b>	<b>166,395</b>	<b>0</b>	<b>78,183</b>	<b>634,463</b>
<b>Fund Balances</b>						
<b>Nonspendable</b>						
Inventory					17,585	17,585
Permanent fund principal					342,198	342,198
<b>Restricted</b>						
Debt service				818,588	5,214	823,802
Capital projects					106,696	106,696
Forestry improvements					683,006	683,006
Unemployment benefits					30,223	30,223
Grant activities					658,262	658,262
<b>Assigned</b>						
School activities	24,899					24,899
Other purposes	10,142				1,593	11,735
Unassigned	3,822,721					3,822,721
<b>Total Fund Balances</b>	<b>3,857,762</b>	<b>0</b>	<b>0</b>	<b>818,588</b>	<b>1,844,777</b>	<b>6,521,127</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,078,307</b>	<b>169,340</b>	<b>166,395</b>	<b>818,588</b>	<b>1,922,960</b>	<b>7,155,590</b>

CLAIBORNE COUNTY SCHOOL DISTRICT  
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position  
 June 30, 2015

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 6,521,127

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:

Land	473,980	
Buildings	11,727,404	
Building improvements	215,190	
Mobile equipment	1,894,612	
Furniture and equipment	749,324	
Leased property under capital leases	440,580	
Accumulated depreciation	<u>(8,181,355)</u>	7,319,735

Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds:

Net pension liability		(17,271,765)
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions	1,563,971	
Deferred inflows of resources related to pensions	<u>(2,970,653)</u>	(1,406,682)

Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:

Three mill notes payable	(205,000)	
Qualified zone academy bonds payable	(900,000)	
Obligations under capital leases	(309,939)	
Compensated absences	(97,283)	
Accrued interest payable	<u>(2,533)</u>	(1,514,755)

Total Net Position - Governmental Activities		<u>\$ (6,352,340)</u>
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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, 2015

Exhibit D

	Major Funds					Total Governmental Funds
	General Fund	Title I Fund	School Improvement Fund	QZAB Debt Service Fund	Other Governmental Funds	
<b>Revenues</b>						
Local sources	\$ 4,759,926			40,153	231,786	5,031,865
State sources	6,376,388				1,052,353	7,428,741
Federal sources	99,977	1,087,352	737,917		1,916,280	3,841,526
Sixteenth section sources	1,353,572				189,220	1,542,792
<b>Total Revenues</b>	<b>12,589,863</b>	<b>1,087,352</b>	<b>737,917</b>	<b>40,153</b>	<b>3,389,639</b>	<b>17,844,924</b>
<b>Expenditures</b>						
Instruction	6,258,726	707,676	215,383		1,043,863	8,225,648
Support services	5,120,760	369,347	491,560		1,163,809	7,145,476
Noninstructional services	4,041				958,423	962,464
Sixteenth section	254,336				62,701	317,037
Debt service						
Principal (Note 6)	107,977				273,334	381,311
Interest	17,924				2,803	20,727
<b>Total Expenditures</b>	<b>11,763,764</b>	<b>1,077,023</b>	<b>706,943</b>	<b>0</b>	<b>3,504,933</b>	<b>17,052,663</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>826,099</b>	<b>10,329</b>	<b>30,974</b>	<b>40,153</b>	<b>(115,294)</b>	<b>792,261</b>
<b>Other Financing Sources (Uses)</b>						
Proceeds of loans (Note 6)					480,000	480,000
Insurances loss recoveries (Note 13)	47,749					47,749
Operating transfers in (Note 3)	155,401				207,530	362,931
Payment held by escrow agent				73,151		73,151
Operating transfers out (Note 3)	(44,274)	(10,329)	(30,974)		(277,354)	(362,931)
Payment to refunded bond escrow agent	(14,519)				(58,632)	(73,151)
<b>Total Other Financing Sources (Uses)</b>	<b>144,357</b>	<b>(10,329)</b>	<b>(30,974)</b>	<b>73,151</b>	<b>351,544</b>	<b>527,749</b>
<b>Net Change in Fund Balances</b>	<b>970,456</b>	<b>0</b>	<b>0</b>	<b>113,304</b>	<b>236,250</b>	<b>1,320,010</b>
<b>Fund Balances</b>						
July 1, 2014	2,887,306	0	0	705,284	1,602,653	5,195,243
Increase in reserve for inventory	0	0	0	0	5,874	5,874
June 30, 2015	\$ 3,857,762	0	0	818,588	1,844,777	6,521,127

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, 2015

Exhibit D-1

	Amount
Net Change in Fund Balance - Governmental Funds	\$ 1,320,010

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	585,120		
Depreciation expense	(329,654)		255,466

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.

(43,147)

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:

Three mill notes issued	(480,000)		
Payments of debt principal	381,311		
Accrued interest payable	316		(98,373)

Reconciling items applicable to pension liability and related accounts:

Pension contributions made subsequent to the measurement date	1,294,537		
Pension expense for the current year	(1,001,770)		292,767

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	10,825		
Change in inventory reserve	5,874		16,699

Changes in Net Position of Governmental Activities	\$ 1,743,422
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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, 2015

Exhibit E

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents (Note 2)	<u>634,281</u>
<b>Total Assets</b>	<u><u>634,281</u></u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	624,061
Due to other funds (Note 3)	22
Due to student clubs	<u>10,198</u>
<b>Total Liabilities</b>	<u><u>634,281</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, 2015

**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 16).

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, 2015

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 restricted for services associated with educationally deprived students.

School Improvement Grant Fund - This special revenue fund is financed with federal funds and is used to account for the activities associated with providing improvement in educational services.

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 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 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

CLAIBORNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2015

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, deferred outflows/inflows, 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.

**Investments**

The school district can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in

CLAIBORNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2015

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 16<sup>th</sup> Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net 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 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.

CLAIBORNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2015

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
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

(\*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 5 for details.

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred outflows are directly related to pension reporting.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The deferred inflows are directly related to pension reporting.

See Note 1, E, 10 for further details.

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. Bond discounts or premiums and the difference between reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

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

CLAIBORNE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2015

10. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, the benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. Fund Balances

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

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

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

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

*Committed fund balance* includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. 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 superintendent of education and/or the business manager pursuant to authorization established by the school board.

*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:

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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 fiduciary funds was \$5,436,987 (which includes \$483,382 of certificates of deposit with original maturities beyond three months and reported on the Balance Sheet as investments) and \$634,281, 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 \$94.

Investments

As of June 30, 2015, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
U.S. Government securities	AAA	Less than 1	\$ 818,494
Certificates of deposit	N/A	1 year	<u>483,382</u>
Total			<u>\$ 1,301,876</u>

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

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

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*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, 2015, 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, 2015, the district had the following investments:

Issuer	Fair Value	% of Total Investments
Bank of River Hills - Certificate of Deposit	\$ 483,382	37%

**Note 3 – Inter-fund Receivables, Payables and Transfers**

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

**A. Due From/To Other Funds**

Receivable Fund	Payable Fund	Amount
General Fund	Major fund - Title I Fund	\$ 168,340
	Major fund - School Improvement Fund	116,864
	Other governmental funds	33,001
	Fiduciary Funds	<u>22</u>
Total		<u>\$ 318,227</u>

The purpose of the inter-fund loans from the General Fund was to eliminate deficit cash balances in certain federal programs as part of the normal year end closing adjustments.

**B. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 44,274
Major fund - Title I Fund	General Fund	10,329
Major fund - School Improvement Fund	General Fund	30,974
Other governmental funds	General Fund	114,098
	Other governmental funds	<u>163,256</u>
Total		<u>\$ 362,931</u>

The transfer out of the General Fund was for the purpose of funding the vocational program. The transfer out of Title I Fund and the School Improvement Fund was for indirect cost. The transfers out of the Other Governmental Funds to the General Fund was due to the reclassification of the 16<sup>th</sup> Section Interest Fund to the General Fund since the 16<sup>th</sup> Section Interest Fund does not meet the definition of a Special Revenue Fund. The transfers within the Other Governmental Funds to the Other Government Funds was to close out certain funds.

**Note 4 – Restricted Assets**

The restricted assets represent the investment balance of the Sixteenth Section Principal Fund (Permanent Fund), Forestry Escrow Fund and the Qualified Zone Academy Bond Debt Service Funds of \$274,758, \$208,624 and \$818,494, respectively which are legally restricted and may not be used for purposes that support the district's

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programs. In addition, the restricted assets also consist of cash totaling \$1,326,113 and cash with fiscal agent totaling \$94 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:

	Balance 7/1/2014	Increases	Decreases	Adjustments	Balance 6/30/2015
<b>Governmental Activities:</b>					
<u>Non-depreciable capital assets:</u>					
Land	473,980				473,980
Total non-depreciable capital assets	<u>473,980</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>473,980</u>
<u>Depreciable capital assets:</u>					
Buildings	11,727,404				11,727,404
Building improvements	215,190				215,190
Mobile equipment	1,500,026	560,150	(165,564)		1,894,612
Furniture and equipment	674,029	24,970		50,325	749,324
Leased property under capital leases	440,580				440,580
Total depreciable capital assets	<u>14,557,229</u>	<u>585,120</u>	<u>(165,564)</u>	<u>50,325</u>	<u>15,027,110</u>
<u>Less accumulated depreciation for:</u>					
Buildings	6,030,436	171,348			6,201,784
Building improvements	68,861	8,608			77,469
Mobile equipment	1,158,017	87,669	(122,417)		1,123,269
Furniture and equipment	618,494	22,376		19,006	659,876
Leased property under capital leases	79,304	39,653			118,957
Total accumulated depreciation	<u>7,955,112</u>	<u>329,654</u>	<u>(122,417)</u>	<u>19,006</u>	<u>8,181,355</u>
Total depreciable capital assets, net	<u>6,602,117</u>	<u>255,466</u>	<u>(43,147)</u>	<u>31,319</u>	<u>6,845,755</u>
Governmental activities capital assets, net	<u>7,076,097</u>	<u>255,466</u>	<u>(43,147)</u>	<u>31,319</u>	<u>7,319,735</u>

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 153,942
Support services	138,744
Non-instructional	36,968
Total depreciation expense - Governmental activities	<u>\$ 329,654</u>

**Note 6 – Long-term Liabilities**

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

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	Balance 7/1/2014	Additions	Reductions	Balance 6/30/2015	Amounts due within one year
A. Three mill notes payable	0	480,000	275,000	205,000	205,000
B. Obligations under capital leases	416,250		106,311	309,939	111,814
C. Qualified zone academy bonds payable	900,000			900,000	900,000
D. Compensated absences payable	108,108		10,825	97,283	4,864
Total	<u>\$ 1,424,358</u>	<u>480,000</u>	<u>392,136</u>	<u>1,512,222</u>	<u>1,221,678</u>

**A. Three mill notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax notes, 2014	1.51	8/20/2014	6/1/2016	\$ 480,000	\$ 205,000

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

Year Ending June 30	Principal	Interest	Total
2016	\$ 205,000	3,485	208,485

This debt will be retired from the Three Mill Debt Service Fund.

**B. 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	37,485
2. Sub-lease buses, 2012A	3.68	12/20/2012	10/10/2018	450,000	272,454
Total				<u>\$ 624,142</u>	<u>309,939</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
2016	\$ 37,485	3,073	40,558

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

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

Year Ending June 30	Principal	Interest	Total
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>\$ 272,454</u>	<u>20,418</u>	<u>292,872</u>

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

Total obligations under capital leases.

Year Ending June 30	Principal	Interest	Total
2016	\$ 111,814	9,349	121,163
2017	77,089	6,588	83,677
2018	79,953	3,725	83,678
2019	41,083	3,829	44,912
Total	<u>\$ 309,939</u>	<u>23,491</u>	<u>333,430</u>

C. 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>

D. Compensated absences payable

As more fully explained in Note 1(E)(8), 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

General Information about the 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. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the 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.

*Benefits provided.* Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the

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public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

*Contributions.* 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, 2015 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, 2015, 2014 and 2013 were \$1,294,537, \$1,369,440 and \$1,279,459, respectively, which equaled the required contributions for each year.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2015, the school district reported a liability of \$17,271,765 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2014, the school district's proportion was .142293% percent.

The effect of the school district's change in its proportionate share of the net pension liability from June 30, 2013 to June 30, 2014, resulted in the school district recording additional deferred inflows and a corresponding decrease in net pension liability of \$634,964. The amortization of the additional deferred in over the service life resulted in reduction in deferred inflows and decrease in pension expense of \$167,980 for the current year.

For the year ended June 30, 2015, the District recognized pension expense of \$1,001,770. At June 30, 2015 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 269,434	\$ 0
Net difference between projected and actual earnings on pension plan investments	0	2,503,669
Changes of assumptions:		
Changes in proportion and differences between District contributions and proportionate share of contributions	0	466,984
District contributions subsequent to the measurement date	1,294,537	0
Total	<u>\$ 1,563,971</u>	<u>\$ 2,970,653</u>

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\$1,563,971 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2016	\$ 696,978
2017	696,978
2018	681,345
2019	625,917

*Actuarial assumptions.* The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5 percent
Salary increases	4.25 – 19.50 percent, including inflation
Investment rate of return	8.00 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2025, set forward two years for males.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2012. The experience report is dated June 12, 2013.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Broad	34 %	5.20 %
International Equity	19	5.00
Emerging Markets Equity	8	5.45
Fixed Income	20	0.25
Real Assets	10	4.00
Private Equity	8	6.15
Cash	1	(0.50)
Total	<u>100 %</u>	

*Discount rate.* The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.* The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

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	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
District's proportionate share of the net pension liability	\$ 23,546,566	\$ 17,271,765	\$ 12,037,648

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

**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.

Year Ending June 30	Amount
2016	\$ 270,496
2017	200,739
2018	131,964
2019	1,666
2020	1,666
2021 – 2025	8,137
2026 – 2030	6,955
Thereafter	5,231
Total	\$ 626,854

**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. Implementation of GASB 68 and 71:	
Net pension liability (measurement date)	\$ (20,340,654)
Deferred outflows - contributions made during fiscal year 2014	1,369,440
Total prior period adjustment related to GASB 68 and 71	(18,971,214)
2. Adjustments to capital assets (Note 5)	31,319
Total	\$ (18,939,895)

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**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.

**Note 11 – Risk Management**

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

**Participation in Public Entity Risk Pool**

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 77 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.

This agreement establishes a method of repayment for a qualified interest-free debt instrument. The agreement requires the school district to deposit funds annually into a sinking fund account. The amount on deposit at June 30, 2015 was \$818,494. The amount accumulated in the sinking fund at the end of the ten-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2016	\$ 72,501

**Note 13 - Insurance loss recoveries**

The School District received \$47,749 in insurance loss recoveries related to fire damage during the 2014-2015 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and allocated among the expense functions based on the following percentages:

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Insurance Loss Recoveries	Percentage	Expense Function
\$ 0	0%	Instruction
47,749	100%	Support services
0	0%	Non-instructional
<u>\$ 47,749</u>	<u>100%</u>	

**Note 14 – Effect of Deferred Amounts on Net Position**

The unrestricted net position amount of \$(14,916,375) includes the effect of deferring the recognition of expenses and revenue associated with the net pension liability and related account balances.

**Note 15 – 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 16 – Other Disclosure**

In September 2013, the Mississippi State Board of Education, in accordance with state law, appointed a Conservator to oversee, manage, and/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.

**Note 17 - 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 April 25, 2016, the date the financial statements were available to be issued, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements:

On August 18, 2015, the Conservator approved the issuance of \$190,287.66 in shortfall notes due to a shortage in the collection of ad valorem taxes. The shortfall notes will be repaid in three equal annual payments.

Effective January 1, 2016, the Board of Education of the Claiborne County School District was reconstituted with the election of five board members.

REQUIRED SUPPLEMENTARY INFORMATION

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CLAIBORNE COUNTY SCHOOL DISTRICT  
 Budgetary Comparison Schedule for the General Fund  
 For the Year Ended June 30, 2015

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
	Revenues				
Local sources	\$ 4,822,186	4,801,386	4,759,926	(20,800)	(41,460)
State sources	6,204,265	6,228,265	6,376,388	24,000	148,123
Federal sources	96,750	96,750	99,977	0	3,227
Sixteenth section sources	0	387,700	1,353,572	387,700	965,872
<b>Total Revenues</b>	<b>11,123,201</b>	<b>11,514,101</b>	<b>12,589,863</b>	<b>390,900</b>	<b>1,075,762</b>
Expenditures					
Instruction	6,595,043	6,819,699	6,258,726	(224,656)	560,973
Support services	5,214,908	5,498,251	5,120,760	(283,343)	377,491
Noninstructional services	11,000	11,000	4,041	0	6,959
Sixteenth section	0	305,900	254,336	(305,900)	51,564
Debt service					
Principal	112,225	112,225	107,977	0	4,248
Interest	12,010	12,010	17,924	0	(5,914)
<b>Total Expenditures</b>	<b>11,945,186</b>	<b>12,759,085</b>	<b>11,763,764</b>	<b>(813,899)</b>	<b>995,321</b>
Excess (Deficiency) of Revenues Over Expenditures	(821,985)	(1,244,984)	826,099	(422,999)	2,071,083
Other Financing Sources (Uses)					
Insurance loss recoveries	0	0	47,749	0	47,749
Sale of other property	200	200	0	0	(200)
Operating transfers in	125,000	288,545	155,401	163,545	(133,144)
Operating transfers out	(62,869)	(149,000)	(44,274)	(86,131)	104,726
Payment to refunded bond escrow agent	0	(15,000)	(14,519)	(15,000)	481
<b>Total Other Financing Sources (Uses)</b>	<b>62,331</b>	<b>124,745</b>	<b>144,357</b>	<b>62,414</b>	<b>19,612</b>
Net Change in Fund Balances			970,456		
Fund Balances					
July 1, 2014			2,887,306		
June 30, 2015			\$ 3,857,762		

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, 2015

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Federal sources	\$ 1,200,532	1,200,006	1,087,352	(526)	(112,654)
Total Revenues	<u>1,200,532</u>	<u>1,200,006</u>	<u>1,087,352</u>	<u>(526)</u>	<u>(112,654)</u>
Expenditures					
Instruction	905,178	882,316	707,676	22,862	174,640
Support services	271,422	544,253	369,347	(272,831)	174,906
Noninstructional services	19,065	18,080	0	985	18,080
Total Expenditures	<u>1,195,665</u>	<u>1,444,649</u>	<u>1,077,023</u>	<u>(248,984)</u>	<u>367,626</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>4,867</u>	<u>(244,643)</u>	<u>10,329</u>	<u>(249,510)</u>	<u>254,972</u>
Other Financing Sources (Uses)					
Operating transfers out	(4,867)	(19,237)	(10,329)	14,370	8,908
Total Other Financing Sources (Uses)	<u>(4,867)</u>	<u>(19,237)</u>	<u>(10,329)</u>	<u>14,370</u>	<u>8,908</u>
Net Change in Fund Balances			<u>0</u>		
Fund Balances					
July 1, 2014			<u>0</u>		
June 30, 2015			<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 - School Improvement Grant Fund  
 For the Year Ended June 30, 2015

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues</b>					
Federal sources	\$ 1,183,343	1,183,343	737,917	0	(445,426)
<b>Total Revenues</b>	<u>1,183,343</u>	<u>1,183,343</u>	<u>737,917</u>	<u>0</u>	<u>(445,426)</u>
<b>Expenditures</b>					
Instruction	633,279	460,079	215,383	173,200	244,696
Support services	494,064	667,264	491,560	(173,200)	175,704
<b>Total Expenditures</b>	<u>1,127,343</u>	<u>1,127,343</u>	<u>706,943</u>	<u>0</u>	<u>420,400</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>56,000</u>	<u>56,000</u>	<u>30,974</u>	<u>0</u>	<u>(25,026)</u>
<b>Other Financing Sources (Uses)</b>					
Operating transfers out	(56,000)	(56,000)	(30,974)	0	25,026
<b>Total Other Financing Sources (Uses)</b>	<u>(56,000)</u>	<u>(56,000)</u>	<u>(30,974)</u>	<u>0</u>	<u>25,026</u>
Net Change in Fund Balances			<u>0</u>		
<b>Fund Balances</b>					
July 1, 2014			<u>0</u>		
June 30, 2015			<u>\$ 0</u>		

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

CLAIBORNE COUNTY SCHOOL DISTRICT  
 Schedule of the District's Proportionate Share of the Net Pension Liability  
 PERS  
 Last 10 Fiscal Years

	<u>2015</u>
District's proportion of the net pension liability (asset)	0.142293%
District's proportionate share of the net pension liability (asset)	<u>\$ 17,271,765</u>
District's covered-employee payroll	<u>\$ 8,694,857</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	<u>198.64%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>67.21%</u>

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

The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the year prior to the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

CLAIBORNE COUNTY SCHOOL DISTRICT

Schedule of District Contributions

PERS

Last 10 Fiscal Years

	<u>2015</u>
Contractually required contribution	\$ 1,294,537
Contributions in relation to the contractually required contribution	1,294,537
Contribution deficiency (excess)	<u>0</u>
District's covered-employee payroll	\$ 8,219,283
Contributions as a percentage of covered-employee payroll	15.75%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

CLAIBORNE COUNTY SCHOOL DISTRICT  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2015

(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, 2015

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	\$ 380,833
National school lunch program	10.555	752,731
Summer food service program for children	10.559	12,273
Total child nutrition cluster		<u>1,145,837</u>
Fresh fruits and vegetable program	10.582	21,623
Child and adult care food program	10.558	7,032
Total U.S. Department of Agriculture		<u>1,174,492</u>
U.S. Department of Defense		
Direct program:		
Reserve officers' training corps	12.xxx	54,725
Total U.S. Department of Defense		<u>54,725</u>
Federal Communications Commission		
Administered through the Universal Service Administrative Company:		
The school and libraries program of the universal service fund	32.xxx	16,097
Total Federal Communications Commission		<u>16,097</u>
U.S. Department of Education		
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	1,194,844
Career and technical education - basic grants to states	84.048	24,933
Improving teacher quality - state grants	84.367	83,964
School improvement grants	84.377	737,917
Total		<u>2,041,658</u>
Special education cluster:		
Special education - grants to states	84.027	393,026
Special education - preschool grants	84.173	9,725
Total special education cluster		<u>402,751</u>
Total passed-through Mississippi Department of Education		<u>2,444,409</u>
Total U.S. Department of Education		<u>2,444,409</u>
U.S. Department of Health and Human Services		
Passed-through Mississippi Department of Education:		
Medical assistance program	93.778	28,427
Total U.S. Department of Health and Human Services		<u>28,427</u>
Total for All Federal Awards		<u>\$ 3,718,150</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, 2015

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administrative</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 11,488,584	8,462,433	468,589	865,014	1,692,548
Other	5,564,079	1,661,533	525,770	44,484	3,332,292
Total	<u>17,052,663</u>	<u>10,123,966</u>	<u>994,359</u>	<u>909,498</u>	<u>5,024,840</u>
Total number of students	<u>1,503</u>				
Cost per student	<u>\$ 11,346</u>	<u>6,736</u>	<u>662</u>	<u>605</u>	<u>3,343</u>

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

	2015	2014*	2013*	2012*
<b>Revenues</b>				
Local sources	\$ 4,759,926	4,756,310	4,624,697	4,661,593
State sources	6,376,388	6,389,955	6,161,319	6,102,587
Federal sources	99,977	67,120	57,087	89,743
Sixteenth section sources	1,353,572	969,434	0	0
<b>Total Revenues</b>	<b>12,589,863</b>	<b>12,182,819</b>	<b>10,843,103</b>	<b>10,853,923</b>
<b>Expenditures</b>				
Instruction	6,258,726	6,847,600	6,753,717	6,906,000
Support services	5,120,760	5,152,332	5,334,126	4,822,627
Noninstructional services	4,041	30,008	219,460	194,123
Sixteenth section	254,336	41,174	0	0
Debt service				
Principal	107,977	131,853	125,638	96,850
Interest	17,924	23,873	19,740	6,689
<b>Total Expenditures</b>	<b>11,763,764</b>	<b>12,226,840</b>	<b>12,452,681</b>	<b>12,026,289</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>826,099</b>	<b>(44,021)</b>	<b>(1,609,578)</b>	<b>(1,172,366)</b>
<b>Other Financing Sources (Uses)</b>				
Inception of capital leases	0	0	450,000	174,142
Insurances loss recoveries	47,749	0	19,410	16,521
Operating transfers in	155,401	2,462,673	1,340,820	1,089,861
Operating transfers out	(44,274)	(192,951)	(372,478)	(350,153)
Payment to refunded bond escrow agent	(14,519)	(14,513)	(14,513)	(14,513)
Other financing uses	0	0	0	(214)
<b>Total Other Financing Sources (Uses)</b>	<b>144,357</b>	<b>2,255,209</b>	<b>1,423,239</b>	<b>915,644</b>
<b>Net Change in Fund Balances</b>	<b>970,456</b>	<b>2,211,188</b>	<b>(186,339)</b>	<b>(256,722)</b>
<b>Fund Balances</b>				
July 1, as previously reported	2,887,306	935,886	1,115,371	1,373,785
Prior period adjustments	0	(259,768)	6,854	(1,692)
July 1, as restated	2,887,306	676,118	1,122,225	1,372,093
June 30	\$ 3,857,762	2,887,306	935,886	1,115,371

\* 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			
	2015	2014*	2013*	2012*
<b>Revenues</b>				
Local sources	\$ 5,031,865	4,975,694	4,672,642	4,701,281
State sources	7,428,741	7,559,939	7,460,717	7,677,187
Federal sources	3,841,526	3,123,976	3,189,598	4,573,367
Sixteenth section sources	1,542,792	1,089,239	1,104,095	1,583,973
<b>Total Revenues</b>	<u>17,844,924</u>	<u>16,748,848</u>	<u>16,427,052</u>	<u>18,535,808</u>
<b>Expenditures</b>				
Instruction	8,225,648	8,708,147	8,657,375	9,946,689
Support services	7,145,476	6,233,344	6,219,127	6,060,775
Noninstructional services	962,464	1,149,737	1,708,761	1,543,681
Sixteenth section	317,037	200,312	459,982	270,438
Debt service				
Principal	381,311	564,337	658,741	763,832
Interest	20,727	42,789	68,622	90,619
Other	0	1,900	550	1,840
<b>Total Expenditures</b>	<u>17,052,663</u>	<u>16,900,566</u>	<u>17,773,158</u>	<u>18,677,874</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>792,261</u>	<u>(151,718)</u>	<u>(1,346,106)</u>	<u>(142,066)</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds of loans	480,000	0	0	0
Inception of capital leases	0	0	450,000	174,142
Payments held by escrow agent	73,151	73,151	73,151	73,151
Insurances loss recoveries	47,749	0	19,410	16,521
Operating transfers in	362,931	2,741,990	1,731,118	1,440,014
Operating transfers out	(362,931)	(2,741,990)	(1,731,118)	(1,440,014)
Payment to refunded bond escrow agent	(73,151)	(73,151)	(73,151)	(73,151)
Other financing uses	0	(28,206)	0	(214)
<b>Total Other Financing Sources (Uses)</b>	<u>527,749</u>	<u>(28,206)</u>	<u>469,410</u>	<u>190,449</u>
<b>Net Change in Fund Balances</b>	<u>1,320,010</u>	<u>(179,924)</u>	<u>(876,696)</u>	<u>48,383</u>
<b>Fund Balances</b>				
July 1, as previously reported	5,195,243	5,619,401	6,644,747	6,615,244
Prior period adjustments	0	(244,513)	(152,620)	(3,306)
July 1, as restated	<u>5,195,243</u>	<u>5,374,888</u>	<u>6,492,127</u>	<u>6,611,938</u>
Increase (Decrease) in reserve for inventory	<u>5,874</u>	<u>279</u>	<u>3,970</u>	<u>(15,574)</u>
June 30	<u>\$ 6,521,127</u>	<u>5,195,243</u>	<u>5,619,401</u>	<u>6,644,747</u>

\* Source - Prior year audit reports.

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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# CHARLES L. SHIVERS, CPA, LLC

*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

Superintendent and School Board  
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, 2015, 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 April 25, 2016.

### **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 [2015-1].

### **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, LLC*

Ridgeland, MS  
April 25, 2016

# CHARLES L. SHIVERS, CPA, LLC

*Certified Public Accountant*

Post Office Box 2775  
Ridgeland, Mississippi 39158

Phone: 601.941.6649  
Email: clscpa@bellsouth.net

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

### Independent Auditor's Report

Superintendent and School Board  
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, 2015. 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, 2015.

#### **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, LLC*

Ridgeland, MS  
April 25, 2016

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

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# CHARLES L. SHIVERS, CPA, LLC

*Certified Public Accountant*

Post Office Box 2775  
Ridgeland, Mississippi 39158

Phone: 601.941.6649  
Email: clscpa@bellsouth.net

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

Superintendent and School Board  
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, 2015, which collectively comprise Claiborne County School District's basic financial statements and have issued my report thereon dated April 25, 2016. 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 school board 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, LLC*

Ridgeland, MS  
April 25, 2016

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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, 2015

**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. Title I grants to local educational agencies cluster<br>CFDA #: 84.010  |               |
|    | b. SCHOOL Improvement Grant<br>CFDA #: 84.377  |               |
| 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 2015-1**

**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:** An appropriately and properly designed system of internal accounting controls would have these duties segregated to the greatest extent possible.

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

**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.

CLAIBORNE COUNTY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
June 30, 2015

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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Dr. Earl Watkins, District Conservator  
Dr. Sandra Nash, Deputy Supt/Fed. Prog.  
Ms. Debra Knox, SPED Director  
Ms. Johnnie Thompson, Bus. Manager  
Mrs. Rhonda Stacker, Food Service

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

April 21, 2016

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, 2015.

**Finding 2015-1**

**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 black ink, enclosed in a hand-drawn oval.

Dr. Earl Watkins, Conservator



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