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LEAKE COUNTY SCHOOL DISTRICT

**Audited Financial Statements
For the Year Ended June 30, 2008**

LEAKE COUNTY SCHOOL DISTRICT

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**LEAKE COUNTY SCHOOL DISTRICT
FINANCIAL AUDIT REPORT**



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

Superintendent and School Board
Leake County School District

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Leake County School District as of and for the year ended June 30, 2008, which collectively comprise the Leake County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Leake County School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Leake County School District, as of June 30, 2008, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2009, on our consideration of the Leake County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 4 through 11 and the Budgetary Comparison Schedule and corresponding notes on pages 36 through 42 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Leake County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Watkins, Ward and Stafford, PLLC
Philadelphia, Mississippi
July 29, 2009

A handwritten signature in black ink that reads "Watkins, Ward and Stafford, PLLC". The signature is written in a cursive, flowing style.

**LEAKE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

MELANIE H. HARTLEY
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LEAKE COUNTY SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2008

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

FINANCIAL HIGHLIGHTS

- Total net assets increased \$606,181, including the effects of a prior period adjustment of (\$19,224) which represents a 4.20% increase from fiscal year ending June 30, 2007.
- General revenues account for \$20,068,726, or 79% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5,426,365 or 21% of total revenues.
- The district had \$24,869,686 in expenses; only \$5,426,365 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$20,068,726 were adequate to provide for these programs.
- Among major funds, the General Fund had \$19,049,759 in revenues and \$18,521,492 in expenditures. The General Fund's fund balance increased \$342,846. The increase represents the degree to which increases in ongoing revenues have surpassed similar increases in ongoing expenses.
- Capital assets, net of accumulated depreciation, decreased by \$120,197.
- Long-term debt decreased by \$440,598.

**LEAKE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

The statement of activities presents information showing how the district's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years.

The government-wide financial statements outline functions of the district that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the district include instruction, support services, non-instructional, sixteenth section and interest on long-term liabilities.

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

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

**LEAKE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

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

The district maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts*. Information is presented separately in the governmental fund's balance sheet and in the governmental fund's statement of revenues, expenditures, and changes in fund balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

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

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.

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

The district adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund. These budgetary comparison schedules are provided as required supplementary information in this report.

Additionally, a schedule of expenditures of federal awards as required by OMB Cir. A-133 and a schedule of instructional, administrative and other expenditures of governmental funds can be found in this report. Also, a statement of revenues, expenditures and changes in fund balances – General Fund and All Governmental Funds for the last four years can be found in this report. These reports are required by the Mississippi Department of Education.

**LEAKE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the district, assets exceeded liabilities by \$15,025,525 as of June 30, 2008.

By far the largest portion of the district's net assets (49%) is reflected in its investment in capital assets (e.g., land, buildings, improvements other than buildings, mobile equipment, and furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The district uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

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

Table 1 presents a summary of the district's Net Assets for the fiscal years ended June 30, 2008 and June 30, 2007:

**Table 1
Condensed Statement of Net Assets**

	<u>June 30,</u> <u>2008</u>	<u>June 30,</u> <u>2007</u>	Total Percentage Change 2007-2008
<u>Assets:</u>			
Current assets	\$ 8,171,672	7,779,683	5.04%
Capital assets, net	<u>12,884,615</u>	<u>13,004,812</u>	(.92)%
Total Assets	<u>21,056,287</u>	<u>20,784,495</u>	1.31%
<u>Liabilities:</u>			
Current liabilities	189,429	83,220	127.62%
Long-term debt outstanding	<u>5,841,333</u>	<u>6,281,931</u>	(7.01)%
Total Liabilities	<u>6,030,762</u>	<u>6,365,151</u>	(5.25)%
<u>Net Assets:</u>			
Invested in capital assets, net of related debt	7,440,524	7,059,812	5.39%
Restricted	3,767,399	3,805,374	(1.00)%
Unrestricted	<u>3,817,602</u>	<u>3,554,158</u>	7.41%
Total Net Assets	<u>\$ 15,025,525</u>	<u>14,419,344</u>	4.20%

Changes in net assets. The district's total revenues for the fiscal year ended June 30, 2008, were \$25,495,091. This represents an increase of \$1,124,313, or 4.61%, from the prior year. The total cost of all programs and services was \$24,869,686. This represents an increase of \$1,401,285, or 5.97%, from the prior year. Table 2 presents a summary of the changes in net assets for the fiscal year ended:

**LEAKE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

**Table 2
Changes in Net Assets**

	<u>Changes in Net Assets</u>		Total Percentage Change 2007-2008
	<u>June 30, 2008</u>	<u>June 30, 2007</u>	
Revenues:			
Program revenues:			
Charges for services	\$ 575,396	673,682	(14.59)%
Operating grants and contributions	4,850,969	4,936,794	(1.24)%
General revenues:			
Property taxes	3,811,795	3,638,160	4.77%
Grants and contributions not restricted	15,598,575	14,550,243	7.20%
Other	<u>658,356</u>	<u>571,899</u>	15.12%
Total Revenues	<u>25,495,091</u>	<u>24,370,778</u>	4.61%
Expenses:			
Instruction	13,652,212	12,677,319	7.69%
Support services	8,978,995	8,724,357	2.92%
Non-instructional	1,767,177	1,692,627	4.40%
Sixteenth section	28,646	16,590	72.67%
Interest and other expenses on long-term liabilities	<u>442,656</u>	<u>357,508</u>	23.82%
Total Expenses	<u>24,869,686</u>	<u>23,468,401</u>	5.97%
Increase in Net Assets	625,405	902,377	(30.69)%
Net Assets, July 1	14,419,344	13,358,980	7.93%
Prior Period Adjustments	(19,224)	157,987	
Net Assets, June 30	<u>\$ 15,025,525</u>	<u>14,419,344</u>	4.20%

Governmental activities. Table 3 presents the cost of five major district functional activities: instruction, support services, non-instructional, sixteenth section, and interest and other expenses on long-term liabilities for the years ending June 30, 2008 and June 30, 2007. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and district's taxpayers by each of these functions.

**Table 3
Net Cost of Governmental Activities**

	<u>Total Expenses</u>		<u>Dollar Change</u>	Total Percentage Change 2007-2008
	<u>2008</u>	<u>2007</u>		
Instruction	\$ 13,652,212	12,677,319	974,893	7.69%
Support services	8,978,995	8,724,357	254,638	2.92%
Non-instructional	1,767,177	1,692,627	74,550	4.40%
Sixteenth section	28,646	16,590	12,056	72.67%
Interest and other expenses on long-term liabilities	<u>442,656</u>	<u>357,508</u>	<u>85,148</u>	23.82%
Total Expenses	<u>\$ 24,869,686</u>	<u>23,468,401</u>	<u>1,401,285</u>	5.97%

**LEAKE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Total (Net) Expense Revenue</u>		<u>Dollar Change</u>	<u>Total Percentage Change 2007-2008</u>
	<u>2008</u>	<u>2007</u>		
Instruction	\$(11,653,251)	(10,491,433)	(1,161,818)	(11.07)%
Support services	(7,330,843)	(6,922,119)	(408,724)	(5.90)%
Non-instructional	11,010	(70,275)	81,285	115.67%
Sixteenth section	(27,581)	(16,590)	(10,991)	(66.25)%
Interest and other expenses on long-term liabilities	(442,656)	(357,508)	(85,148)	(23.81)%
Total Expenses	\$(19,443,321)	(17,857,925)	(1,585,396)	(8.88)%

- Net cost of governmental activities \$19,443,321 was financed by general revenue, which is made up of primarily property taxes of \$3,811,795, state revenue of \$15,322,650 federal revenue of \$275,925, and sixteenth section sources of \$72,880.
- Investment earnings accounted for \$550,128 of funding.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the district uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the district's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the district's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the district's net resources available for spending at the end of the fiscal year.

The financial performance of the district as a whole is reflected in its governmental funds. As the district completed the year, its governmental funds reported a combined fund balance of \$7,955,992, an increase of \$308,291 due to ongoing revenues increasing at a greater rate than ongoing expenses during the fiscal year. The amount of \$6,832,038 or 86% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the district's discretion. The remaining fund balance of \$1,123,954 or 14% is reserved or designated to indicate that it is not available for spending because it has already been committed.

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 \$342,846. The increase in fund balance of the General Fund was due to an increase during the year of ongoing revenues over normal expenditures. The fund balance of the Sixteenth Section Interest Fund increased \$146,591 during the fiscal year. This increase was due to the fact that only limited expenses were necessary during the year. The fund balance of Other Governmental Funds showed a decrease of \$181,146, including the effects of a prior period adjustment of (\$19,224) and the decrease in reserve for inventory of \$8,704.

**LEAKE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2008, the district's total capital assets were \$21,853,924 including school buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$180,050 from the previous year. Total accumulated depreciation as of June 30, 2008, was \$8,969,309 and total depreciation expense for the year was \$541,267 resulting in total net assets of \$12,884,615. Table 4 shows fiscal year 2008 compared to fiscal year 2007.

**Table 4
Capital Assets at June 30
(Net of Depreciation)**

	<u>2008</u>	<u>2007</u>	<u>Total Percentage Change 2007-2008</u>
Land	\$ 463,095	463,095	-
Buildings	10,590,523	10,835,104	(2.25)%
Improvements other than buildings	203,807	175,674	16.01%
Mobile equipment	1,217,846	1,058,478	15.06%
Furniture and equipment	409,344	472,461	(13.36)%
Totals	<u>\$ 12,884,615</u>	<u>13,004,812</u>	(.92)%

Additional information on the district's capital assets can be found in the notes in this report.

Debt Administration. At June 30, 2008, the district had \$5,841,333 in general obligation bonds and other long-term debt outstanding, of which \$510,000 is due within one year. The district retired \$520,000 of long-term debt during the year ended June 30, 2008. Table 5 shows fiscal year 2008 compared to fiscal year 2007.

**LEAKE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

**Table 5
Outstanding Long-term Debt at June 30**

	<u>2008</u>	<u>2007</u>	Total Percentage Change <u>2007-2008</u>
General obligation bonds payable	\$ 585,000	655,000	(10.69)%
Limited obligation bonds payable	4,120,000	4,375,000	(5.82)%
Other loans payable	930,000	1,125,000	(17.33)%
Compensated absences payable	<u>206,333</u>	<u>126,931</u>	62.50%
Total Debt	<u>5,841,333</u>	<u>6,281,931</u>	(7.01)%
Less deferred charges on refunding debt	<u>-</u>	<u>(113,087)</u>	
Total Debt Net	<u>\$ 5,841,333</u>	<u>6,168,844</u>	(5.31)%

The district maintains an AA- bond rating.

Additional information on the district's long-term debt can be found in the notes in this report.

CURRENT ISSUES

The Leake County School District is financially stable. The district is proud of its community support of the public schools.

The district has committed itself to financial excellence for many years. In addition, the district's system of financial planning, budgeting and internal financial controls are well regarded. The district plans to continue its sound fiscal management to meet the challenges of the future.

The district has experienced steady growth over the past five years. Latest enrollment figures indicate that student enrollment in the district will remain relatively steady next year. The budget for the next fiscal year has taken this into account in both funding and staffing needs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Leake County School District, P. O. Drawer 478, Carthage, Mississippi 39051.

LEAKE COUNTY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2008

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 6,623,819
Due from other governments	870,436
Lease receivable, net	4,150
Other receivables	530
Inventories	33,128
Deferred charges	190,909
Restricted assets	448,700
Capital assets - non-depreciable:	
Land	463,095
Capital assets, net of accumulated depreciation:	
Buildings	10,590,523
Improvements other than buildings	203,807
Mobile equipment	1,217,846
Furniture and equipment	409,344
Total Assets	<u>\$ 21,056,287</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 24,771
Interest payable on long-term liabilities	164,658
Long-term liabilities (due within one year)	
Capital related liabilities	510,000
Long-term liabilities (due beyond one year)	
Capital related liabilities	5,125,000
Non-capital liabilities	206,333
Total Liabilities	<u>\$ 6,030,762</u>
Net Assets	
Investment in capital assets, net of related debt	\$ 7,440,524
Restricted net assets:	
Expendable:	
School based activities	1,875,149
Debt service	705,651
Capital improvements	709,081
Forestry improvements	162,263
Unemployment benefits	58,254
Non-expendable:	
Sixteenth section	257,001
Unrestricted	3,817,602
Total Net Assets	<u>\$ 15,025,525</u>

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

LEAKE COUNTY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2008

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Governmental Activities</u>
Governmental Activities:					
Instruction	\$ 13,652,212	249,503	1,749,458		(11,653,251)
Support services	8,978,995		1,648,152		(7,330,843)
Non-instructional	1,767,177	324,828	1,453,359		11,010
Sixteenth section	28,646	1,065			(27,581)
Interest and other expenses on long-term liabilities	442,656				(442,656)
Total Governmental Activities	<u>\$ 24,869,686</u>	<u>575,396</u>	<u>4,850,969</u>		<u>(19,443,321)</u>
			General Revenues:		
			Taxes:		
			General purpose levies	\$ 3,495,927	
			Debt purpose levies	315,868	
			Unrestricted grants and contributions:		
			State	15,322,650	
			Federal	275,925	
			Unrestricted investment earnings	550,128	
			Sixteenth section sources	72,880	
			Other	35,348	
			Total General Revenues	<u>20,068,726</u>	
			Change in Net Assets		<u>625,405</u>
			Net Assets - Beginning		14,419,344
			Prior period adjustment		<u>(19,224)</u>
			Net Assets - Beginning - Restated		<u>14,400,120</u>
			Net Assets - Ending	\$	<u><u>15,025,525</u></u>

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

LEAKE COUNTY SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2008

Major Funds	ASSETS							Total Governmental Funds
	General Fund	Title I Grants to Local Education Agencies Fund	Improving Teacher Quality Fund	Special Education Fund	Sixteenth Section Interest Fund	Gear Up Fund	Other Governmental Funds	
Cash and cash equivalents	\$ 3,488,272	1			1,675,699		1,716,848	6,880,820
Cash with fiscal agents							191,699	191,699
Due from other governments	357,786	61,874	40,256	28,717		24,089	357,714	870,436
Lease receivable, net					4,150			4,150
Other receivable, net	530							530
Due from other funds	184,579							184,579
Inventories								
Total Assets	\$ 4,031,167	61,875	40,256	28,717	1,679,849	24,089	2,299,389	8,165,342
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable and accrued liabilities	\$ 7,232						17,539	24,771
Due to other funds		61,875	40,256	28,717		24,089	29,642	184,579
Total Liabilities	7,232	61,875	40,256	28,717		24,089	47,181	209,350
Fund Balances:								
Reserved for:								
Inventory							33,128	33,128
Unemployment benefits							58,254	58,254
Debt service							870,309	870,309
Forestry improvements							162,263	162,263
Permanent funds							257,001	257,001
Unreserved:								
Undesignated, reported in:								
General fund	4,023,935							4,023,935
Special Revenue funds					1,679,849		162,172	1,842,021
Capital Projects funds							709,081	709,081
Total Fund Balances	4,023,935				1,679,849		2,252,208	7,955,992
Total Liabilities and Fund Balances	\$ 4,031,167	61,875	40,256	28,717	1,679,849	24,089	2,299,389	8,165,342

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

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

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 7,955,992
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$8,969,309.	12,884,615
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(5,841,333)
3. Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.	(164,658)
4. Governmental funds focus on increases and decreases in current financial resources and deferred charges are not current financial resources so are not reflected in the funds.	<u>190,909</u>
Total Net Assets - Governmental Activities	\$ <u><u>15,025,525</u></u>

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

LEAKE COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

	Major Funds							Total Governmental Funds
	General Fund	Title I - Grants to Local Educational Agencies Fund	Improving Teacher Quality Fund	Special Education Fund	Sixteenth Section Interest Fund	Gear Up Fund	Other Governmental Funds	
Revenues:								
Local sources	\$ 4,003,237						875,124	4,878,361
State sources	14,682,380						1,324,850	16,007,230
Federal sources	364,142	1,265,917	290,744	635,596	146,842	33,288	1,852,628	4,442,315
Sixteenth section sources							19,313	166,155
Total Revenues	19,049,759	1,265,917	290,744	635,596	146,842	33,288	4,071,915	25,494,061
Expenditures:								
Instruction	11,456,800	661,333	69,764	295,159			996,799	13,479,855
Support services	7,010,742	534,626	205,947	325,952		33,288	779,296	8,889,851
Noninstructional services	53,950	58,608					1,628,114	1,740,672
Sixteenth section						251	28,395	28,646
Facilities acquisition and construction							79,408	79,408
Debt service:								
Principal								
Interest								
Other								
Total Expenditures	18,521,492	1,254,567	275,711	621,111	251	33,288	4,452,157	25,158,577
Excess (Deficiency) of Revenues Over Expenditures	528,267	11,350	15,033	14,485	146,591		(380,242)	335,484
Other Financing Sources (Uses):								
Sale of transportation equipment	5,805							5,805
Sale of other property	730							730
Operating transfers in	292,352						492,711	785,063
Operating transfers out	(478,508)	(11,350)	(15,033)	(14,485)			(265,687)	(785,063)
Other financing uses	(5,800)							(5,800)
Total Other Financing Sources (Uses)	(185,421)	(11,350)	(15,033)	(14,485)			227,024	735
Net Change in Fund Balances	342,846				146,591		(153,218)	336,219
Fund Balances:								
July 1, 2007	3,681,089				1,533,258		2,433,354	7,647,701
Prior period adjustment							(19,224)	(19,224)
July 1, 2007, as restated	3,681,089				1,533,258		2,414,130	7,628,477
Decrease in reserve for inventory							(8,704)	(8,704)
June 30, 2008	\$ 4,023,935				1,679,849		2,252,208	7,955,992

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

LEAKE COUNTY SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2008

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ 336,219
Amounts reported for governmental activities in the Statement of Activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchase amounted to \$444,158 and the depreciation expense amounted to \$541,267.	(97,109)
2. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Activities.	520,000
3. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.	(3,420)
4. Gains and losses on the sale or disposals of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds.	(23,088)
5. Decrease in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are increased in the Statement of Activities.	(8,704)
6. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:	
Compensated absences increase	(79,402)
Amortization of deferred charges	(19,091)
	<u> </u>
Change in Net Assets of Governmental Activities	\$ <u><u>625,405</u></u>

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

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

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 956,957
Other receivable	<u>732</u>
Total Assets	<u>\$ 957,689</u>
Liabilities	
Accrued payroll	\$ 644,023
Salary benefits and withholdings payable	201,688
Due to student clubs	106,887
Other payables	<u>5,091</u>
Total Liabilities	<u>\$ 957,689</u>

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

LEAKE COUNTY SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2008**

(1) Summary of Significant Accounting Policies.

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

A. Financial Reporting Entity.

As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five-member board which each member was elected by the citizens of each defined county district.

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

B. Basis of Presentation.

Government-wide Financial Statements:

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

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

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

LEAKE COUNTY SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2008

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

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

Fund Financial Statements:

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

The school district reports the following major governmental funds:

General Fund – This is the school district’s primary operating fund. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support, and other costs.

Special Education – This is a special revenue fund that is used to ensure proper disbursement of, and accounting for, Special Education revenues received by the district.

Title I – Grants to Local Educational Agencies Fund – This is a special revenue fund that is used to ensure proper disbursement of, and accounting for, Title I revenues received by the district.

Improving Teacher Quality Fund – This is a special revenue fund that is used to ensure proper disbursement of, and accounting for, Improving Teacher Quality Fund revenues received by the district.

LEAKE COUNTY SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2008**

Sixteenth Section Interest Fund – This fund accounts for the expendable funds derived from sixteenth section or lieu lands.

Gear Up Fund – This is a special revenue fund that is used to ensure proper disbursement of, and accounting for, Gear Up revenues received by the district.

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

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

FIDUCIARY FUNDS

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

C. Measurement Focus and Basis of Accounting.

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus 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.

LEAKE COUNTY SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2008**

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

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

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

Ad valorem property taxes are levied by the governing authority of the county on behalf of the school district based upon an order adopted by the school board of the school district requesting an ad valorem tax effort in dollars. Since the taxes are not levied and collected by the school district, the revenues to be generated by the annual levies are not recognized until the taxes are actually collected by the tax levying authority.

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

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

LEAKE COUNTY SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2008**

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

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

D. Account Classifications.

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

E. Encumbrances.

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

F. Assets, Liabilities, and Net Assets or Equity.

1. Cash, Cash Equivalents and Investments.

Cash and Cash Equivalents.

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

Investments.

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

LEAKE COUNTY SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2008

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

Investments for the district are reported at fair market value.

2. Receivables and payables.

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

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

3. Due from Other Governments.

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

4. Inventories and Prepaid Items.

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

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

5. Restricted Assets

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

LEAKE COUNTY SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2008

6. Capital Assets.

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

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

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

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

(*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 4 for details.

7. Compensated Absences.

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. Some employees are allowed personal leave and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

LEAKE COUNTY SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2008**

The liability for these compensated absences is recorded as long-term liabilities in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, governmental funds report the compensated absence liability payable from expendable available financial resources only if the payable has matured, for example, an employee retires.

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

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

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

9. Fund Equity.

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

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

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

Reserved for inventory – An account that represents a portion of the fund balance which indicates that inventories do not represent available spendable resources even though they are a component of net current assets.

Reserved for debt service – An account that represents that portion of fund balance in the Debt Service Fund which was legally restricted and not available for spending for any other purpose than that for which it is restricted.

LEAKE COUNTY SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2008**

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

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

Reserved for permanent fund purposes – An account that represents a portion of the fund balance that is legally restricted for investment purposes or borrowing by the school board for capital purposes.

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

(2) Cash and Cash Equivalents and Cash with Fiscal Agents

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

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

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 \$6,880,820 and \$956,957, respectively. The carrying amount of deposits reported in the government-wide financial statements was: cash and cash equivalents totaling \$6,623,819 and restricted assets totaling \$448,700. The restricted assets of \$448,700 represent the cash balance of the Sixteenth Section Principal Fund (Permanent Fund) in the amount of \$257,001 and MAEP funds (Other Governmental Fund) in the amount of \$191,699, which are legally restricted and may not be used for purposes that support the district's programs.

LEAKE COUNTY SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2008**

Custodial Credit Risk – Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2008, none of the district's bank balance of \$10,076,494 was exposed to custodial credit risk.

Cash with Fiscal Agents.

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$191,699.

(3) Interfund Transactions and Balances

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds.

Governmental Funds:	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 184,579	
Title I Fund		61,875
Improving Teacher Quality Fund		40,256
Special Education		28,717
Gear UP		24,089
Other Governmental Funds		<u>29,642</u>
Total	<u>\$ 184,579</u>	<u>184,579</u>

The purpose of the interfund receivables and payables is to close-out federal program funds at year end. All interfund receivables and payables are expected to be repaid within one year.

B. Transfers In/Out.

Governmental Funds:	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 292,352	478,508
Title I Fund		11,350
Improving Teacher Quality Fund		15,033
Special Education		14,485
Other Governmental Funds	<u>492,711</u>	<u>265,687</u>
Total	<u>\$ 785,063</u>	<u>785,063</u>

LEAKE COUNTY SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2008**

The purpose of the interfund transfers is to transfer federal program indirect costs and expendable sixteenth section funds to the General Fund and to close-out federal program funds at year end. These transfers are consistent with the activities of the fund making the transfer.

(4) Capital Assets

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

	<u>Balance</u> <u>7-1-2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6-30-2008</u>
<u>Non-depreciable Capital Assets:</u>				
Land	\$ 463,095	_____	_____	463,095
Total Non-depreciable Capital Assets	<u>463,095</u>	_____	_____	<u>463,095</u>
<u>Depreciable Capital Assets:</u>				
Buildings	16,986,848			16,986,848
Improvements other than buildings	220,058	38,475		258,533
Mobile equipment	2,904,758	350,321	206,386	3,048,693
Furniture and equipment	<u>1,099,115</u>	<u>55,362</u>	<u>57,722</u>	<u>1,096,755</u>
Total Depreciable Capital Assets	<u>21,210,779</u>	<u>444,158</u>	<u>264,108</u>	<u>21,390,829</u>
<u>Less Accumulated Depreciation</u> <u>for:</u>				
Buildings	6,151,744	244,581		6,396,325
Improvements other than buildings	44,384	10,342		54,726
Mobile equipment	1,846,280	170,315	185,748	1,830,847
Furniture and equipment	<u>626,654</u>	<u>116,029</u>	<u>55,272</u>	<u>687,411</u>
Total Accumulated Depreciation	<u>8,669,062</u>	<u>541,267</u>	<u>241,020</u>	<u>8,969,309</u>
Total Depreciable Capital Assets, Net	\$ <u>12,541,717</u>	(<u>97,109</u>)	(<u>23,088</u>)	<u>12,421,520</u>
Governmental Activities Capital Assets, Net	\$ <u>13,004,812</u>	(<u>97,109</u>)	(<u>23,088</u>)	<u>12,884,615</u>

LEAKE COUNTY SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2008**

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 152,931
Support services	371,023
Non-instructional	<u>17,313</u>
Total Depreciation Expense	<u>\$ 541,267</u>

(5) Long-term Liabilities

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

	<u>Balance</u> <u>7-1-2007</u>	<u>Addi-</u> <u>tions</u>	<u>Reduc-</u> <u>tions</u>	<u>Adjust-</u> <u>ments</u>	<u>Balance</u> <u>6-30-2008</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
A. General obligation bonds payable	\$ 655,000		70,000		585,000	75,000
B. Limited obligation bonds payable	4,375,000		255,000		4,120,000	270,000
C. Other loans payable	1,125,000		195,000		930,000	165,000
D. Compensated absences payable	126,931	79,402			206,333	
E. Deferred charges on refunding debt	(113,087)			<u>113,087</u>		
Total	<u>\$ 6,168,844</u>	<u>79,402</u>	<u>520,000</u>	<u>113,087</u>	<u>5,841,333</u>	<u>510,000</u>

Adjustment: The \$113,087 adjustment is due to deferred charges on refunding bond reclassified to net against deferred charges asset on Statement of Net Assets, Exhibit A.

A. General Obligation Bonds Payable.

General obligation bonds are direct obligations and pledge the full faith and credit of the school district. General obligation bonds currently outstanding are as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
General obligation bonds Series 2001	3.0 – 4.6%	09-01-2001	01-15-2015	\$ <u>1,060,000</u>	<u>585,000</u>
Total				\$ <u>1,060,000</u>	<u>585,000</u>

LEAKE COUNTY SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2008**

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 75,000	25,560	100,560
2010	75,000	22,485	97,485
2011	80,000	19,298	99,298
2012	85,000	15,858	100,858
2013	85,000	12,160	97,160
2014 – 2018	<u>185,000</u>	<u>12,790</u>	<u>197,790</u>
Total	\$ <u>585,000</u>	<u>108,151</u>	<u>693,151</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by state statute. Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in state statutes, have been met. As of June 30, 2008, the amount of outstanding bonded indebtedness was equal to .5% of property assessments as of October 1, 2007. This debt will be retired from the Buildings and Buses Fund.

B. Limited Obligation Bonds Payable.

Limited obligation bonds are direct obligations and pledge the full faith and credit of the school district. Limited obligation bonds currently outstanding are as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Issued</u>	<u>Amount Outstanding</u>
State aid capital improvement bonds	4.5 – 6.4%	02-01-1998	08-01-2008	\$ 5,600,000	270,000
State aid capital improvement refunding bonds	3.55 – 4.6%	12-01-2006	02-01-2018	<u>3,850,000</u>	<u>3,850,000</u>
Total				\$ <u>9,450,000</u>	<u>4,120,000</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 270,000	242,013	512,013
2010	285,000	140,913	425,913
2011	335,000	128,513	463,513
2012	350,000	114,813	464,813
2013	365,000	100,513	465,513
2014 – 2018	<u>2,515,000</u>	<u>257,275</u>	<u>2,772,275</u>
Total	\$ <u>4,120,000</u>	<u>984,040</u>	<u>5,104,040</u>

LEAKE COUNTY SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2008**

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi pursuant to the Mississippi Accountability and Adequate Education Program Act, Sections 37-151-1 through 37-151-7, Miss. Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of the debt limit percentage. This debt will be retired from the MAEP Debt Service Fund.

C. Other Loans Payable

The school district has issued debt instruments granted under the authority of Section 37-59-101, Miss. Code Ann. (1972).

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Issued</u>	<u>Amount Outstanding</u>
Limited Tax Notes	Varies	03-01-2002	03-01-2014	\$ <u>1,500,000</u>	<u>930,000</u>
Total				\$ <u>1,500,000</u>	<u>930,000</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 165,000	40,543	205,543
2010	175,000	33,778	208,778
2011	175,000	26,340	201,340
2012	145,000	18,727	163,727
2013	145,000	12,275	157,275
2014 – 2018	<u>125,000</u>	<u>5,750</u>	<u>130,750</u>
Total	\$ <u>930,000</u>	<u>137,413</u>	<u>1,067,413</u>

This debt will be retired from the 1998 Note Fund and the 2002 Note Fund.

D. Compensated Absences Payable.

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

(6) **Prior Year Defeasance of Debt**

In prior years, the Leake County School District defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the district's financial statements. On June 30, 2008, \$3,850,000 of bonds are defeased.

LEAKE COUNTY SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2008**

(7) Other Commitments.

Operating leases:

The school district has operating leases for the following:

1. Copier
2. Neopost digital mailing system

Lease expenditures for the year ended June 30, 2008, amounted to \$4,116. Future lease payments for these leases are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2009	\$ 4,116
2010	3,486
2011	<u>546</u>
Total	<u>\$ 8,148</u>

(8) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2008, was 11.85% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2008, 2007 and 2006 were \$1,624,317, \$1,494,458, and \$1,394,877, respectively, which equaled the required contributions for each year.

(9) Prior Period Adjustments/Exhibits

A summary of significant fund equity adjustments is as follows:

LEAKE COUNTY SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2008**

Exhibit B – Statement of Activities

<u>Explanation</u>	<u>Amount</u>
1. To correct prior year revenue overstated	\$(19,224)
Total	\$(19,224)

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

<u>Major Funds</u>	<u>Explanation</u>	<u>Amount</u>
Other governmental funds	To correct prior year revenue overstated	\$(19,224)
Total		\$(19,224)

(10) Sixteenth Section Lands

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

<u>Year Ending June 30</u>	<u>Amount</u>
2009	\$ 74,592
2010	66,268
2011	64,575
2012	62,079
2013	60,438
2014 – 2018	197,098
2019 – 2023	196,098
2024 – 2028	178,244
2029 – 2033	111,701
Thereafter	<u>176,820</u>
Total	\$ <u>1,187,913</u>

LEAKE COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 4,852,320	4,980,076	4,003,237	127,756	(976,839)
State sources	14,939,441	15,456,605	14,682,380	517,164	(774,225)
Federal sources	442,015	530,231	364,142	88,216	(166,089)
Total Revenues	<u>20,233,776</u>	<u>20,966,912</u>	<u>19,049,759</u>	<u>733,136</u>	<u>(1,917,153)</u>
Expenditures:					
Instruction	12,614,176	12,722,908	11,456,800	(108,732)	1,266,108
Support services	8,106,865	8,121,865	7,010,742	(15,000)	1,111,123
Noninstructional services	102,342	102,342	53,950		48,392
Total Expenditures	<u>20,823,383</u>	<u>20,947,115</u>	<u>18,521,492</u>	<u>(123,732)</u>	<u>2,425,623</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(589,607)</u>	<u>19,797</u>	<u>528,267</u>	<u>609,404</u>	<u>508,470</u>
Other Financing Sources (Uses):					
Insurance loss recoveries	6,000	6,000			(6,000)
Sale of transportation equipment	7,000	7,000	5,805		(1,195)
Sale of other property	1,300	1,829	730	529	(1,099)
Operating transfers in	1,238,868	1,696,742	292,352	457,874	(1,404,390)
Operating transfers out	(1,102,997)	(1,102,997)	(478,508)		624,489
Other financing uses	(7,500)	(7,500)	(5,800)		1,700
Total Other Financing Sources (Uses)	<u>142,671</u>	<u>601,074</u>	<u>(185,421)</u>	<u>458,403</u>	<u>(786,495)</u>
Net Change in Fund Balances	<u>(446,936)</u>	<u>620,871</u>	<u>342,846</u>	<u>1,067,807</u>	<u>(278,025)</u>
Fund Balances:					
July 1, 2007	<u>3,600,519</u>	<u>3,681,089</u>	<u>3,681,089</u>	<u>80,570</u>	
June 30, 2008	<u>\$ 3,153,583</u>	<u>4,301,960</u>	<u>4,023,935</u>	<u>1,148,377</u>	<u>(278,025)</u>

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

LEAKE COUNTY SCHOOL DISTRICT
Budgetary Comparison Schedule
Title I - Grants to Local Educational Agencies Fund
For the Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Variances Positive (Negative) Original to Final</u>		<u>Final to Actual</u>	
	<u>Original</u>	<u>Final</u>		<u>Original to Final</u>	<u>Final to Actual</u>		
Revenues:							
Federal sources	\$ 1,526,870	1,514,986	1,265,917	(11,884)		(249,069)	
Total Revenues	<u>1,526,870</u>	<u>1,514,986</u>	<u>1,265,917</u>	<u>(11,884)</u>		<u>(249,069)</u>	
Expenditures:							
Instruction	678,076	791,681	661,333	(113,605)		130,348	
Support services	760,950	631,460	534,626	129,490		96,834	
Noninstructional services	77,243	77,565	58,608	(322)		18,957	
Total Expenditures	<u>1,516,269</u>	<u>1,500,706</u>	<u>1,254,567</u>	<u>15,563</u>		<u>246,139</u>	
Excess (Deficiency) of Revenues Over Expenditures	<u>10,601</u>	<u>14,280</u>	<u>11,350</u>	<u>3,679</u>		<u>(2,930)</u>	
Other Financing Sources (Uses):							
Operating transfers out	<u>(10,601)</u>	<u>(14,280)</u>	<u>(11,350)</u>	<u>(3,679)</u>		<u>2,930</u>	
Total Other Financing Sources (Uses)	<u>(10,601)</u>	<u>(14,280)</u>	<u>(11,350)</u>	<u>(3,679)</u>		<u>2,930</u>	
Net Change in Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>		<u>0</u>	
Fund Balances:							
July 1, 2007	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>		<u>0</u>	
June 30, 2008	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>		<u>0</u>	

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

LEAKE COUNTY SCHOOL DISTRICT
Budgetary Comparison Schedule
Improving Teacher Quality Fund
For the Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Variances Positive (Negative)</u>	
	<u>Original</u>	<u>Final</u>		<u>Original to Final</u>	<u>Final to Actual</u>
Revenues:					
Federal sources	\$ 349,764	349,764	290,744	0	(59,020)
Total Revenues	<u>349,764</u>	<u>349,764</u>	<u>290,744</u>	<u>0</u>	<u>(59,020)</u>
Expenditures:					
Instruction	93,370	93,370	69,764		23,606
Support services	173,572	173,572	205,947	0	(32,375)
Total Expenditures	<u>266,942</u>	<u>266,942</u>	<u>275,711</u>	<u>0</u>	<u>(8,769)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>82,822</u>	<u>82,822</u>	<u>15,033</u>	<u>0</u>	<u>(67,789)</u>
Other Financing Sources (Uses):					
Operating transfers out	(82,822)	(82,822)	(15,033)	0	67,789
Total Other Financing Sources (Uses)	<u>(82,822)</u>	<u>(82,822)</u>	<u>(15,033)</u>	<u>0</u>	<u>67,789</u>
Net Change in Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances:					
July 1, 2007	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
June 30, 2008	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

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

LEAKE COUNTY SCHOOL DISTRICT
Budgetary Comparison Schedule
Special Education Fund
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 717,133	717,133	635,596	0	(81,537)
Total Revenues	<u>717,133</u>	<u>717,133</u>	<u>635,596</u>	<u>0</u>	<u>(81,537)</u>
Expenditures:					
Instruction	318,321	316,771	295,159	1,550	21,612
Support services	384,988	386,538	325,952	(1,550)	60,586
Total Expenditures	<u>703,309</u>	<u>703,309</u>	<u>621,111</u>	<u>0</u>	<u>82,198</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>13,824</u>	<u>13,824</u>	<u>14,485</u>	<u>0</u>	<u>661</u>
Other Financing Sources (Uses):					
Operating transfers out	(13,824)	(13,824)	(14,485)		(661)
Total Other Financing Sources (Uses)	<u>(13,824)</u>	<u>(13,824)</u>	<u>(14,485)</u>	<u>0</u>	<u>(661)</u>
Net Change in Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances:					
July 1, 2007	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
June 30, 2008	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

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

LEAKE COUNTY SCHOOL DISTRICT
Budgetary Comparison Schedule
Sixteenth Section Interest Fund
For the Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Variances Positive (Negative) Original to Fial to Actual</u>	
	<u>Original</u>	<u>Final</u>		<u>Original to Fial</u>	<u>Final to Actual</u>
Revenues:					
Federal sources	\$ 2,382	2,382			(2,382)
Sixteenth section sources	343,000	343,500	146,842	500	(196,658)
Total Revenues	<u>345,382</u>	<u>345,882</u>	<u>146,842</u>	<u>500</u>	<u>(199,040)</u>
Expenditures:					
Sixteenth section	6,000	6,000	251	0	5,749
Total Expenditures	<u>6,000</u>	<u>6,000</u>	<u>251</u>	<u>0</u>	<u>5,749</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>339,382</u>	<u>339,882</u>	<u>146,591</u>	<u>500</u>	<u>(193,291)</u>
Other Financing Sources (Uses):					
Operating transfers out	(500,000)	(500,000)	0	0	500,000
Total Other Financing Sources (Uses)	<u>(500,000)</u>	<u>(500,000)</u>	<u>0</u>	<u>0</u>	<u>500,000</u>
Net Change in Fund Balances	<u>(160,618)</u>	<u>(160,118)</u>	<u>146,591</u>	<u>500</u>	<u>306,709</u>
Fund Balances:					
July 1, 2007	<u>1,521,323</u>	<u>1,533,258</u>	<u>1,533,258</u>	<u>11,935</u>	<u>0</u>
June 30, 2008	<u>\$ 1,360,705</u>	<u>1,373,140</u>	<u>1,679,849</u>	<u>12,435</u>	<u>306,709</u>

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

LEAKE COUNTY SCHOOL DISTRICT
Budgetary Comparison Schedule
Gear Up Fund
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 46,242	46,242	33,288	0	(12,954)
Total Revenues	<u>46,242</u>	<u>46,242</u>	<u>33,288</u>	<u>0</u>	<u>(12,954)</u>
Expenditures:					
Support services	46,242	46,242	33,288	0	12,954
Total Expenditures	<u>46,242</u>	<u>46,242</u>	<u>33,288</u>	<u>0</u>	<u>12,954</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Other Financing Sources (Uses):					
Operating transfers out				0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances:					
July 1, 2007	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
June 30, 2008	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

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

LEAKE COUNTY SCHOOL DISTRICT

**Notes to Required Supplementary Information
For the Year Ended June 30, 2008**

Notes to the Required Supplementary Information

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

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

LEAKE COUNTY SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

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

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog Of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 374,409
National school lunch program	10.555	1,108,554
Total Child Nutrition Cluster		<u>1,482,963</u>
Total U.S. Department of Agriculture		<u>1,482,963</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.XXX	201,224
Total Federal Communications Commission		<u>201,224</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	1,369,828
Career and technical education - basic grants to states	84.048	59,549
Safe and drug-free schools and communities - state grants	84.186	9,884
State grants for innovative programs	84.298	32,672
Education technology state grants	84.318	1,774
Comprehensive school reform demonstration	84.332	3,168
Gaining early awareness and readiness in undergraduate programs	84.334	33,288
Rural education	84.358	116,881
English language acquisition grants	84.365	30,182
Improving teacher quality state grants	84.367	290,744
Grants for state assessments and related activities	84.369	6,810
Total		<u>1,954,780</u>
Special education cluster:		
Special education - grants to states	84.027	651,016
Special education - preschool grants	84.173	41,611
Total Special Education Cluster		<u>692,627</u>
Total Passed-through Mississippi Department of Education		<u>2,647,407</u>
Total U.S. Department of Education		<u>2,647,407</u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through Mississippi Department of Education:		
Medical assistance program	93.778	88,216
Total U.S. Department of Health and Human Services		<u>88,216</u>
Total for All Federal Awards		\$ <u>4,419,810</u>

NOTES TO SCHEDULE

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

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

Expenditures	Total	Instruction and Other			Other
		Student Instructional Expenditures	General Administration	School Administration	
Salaries and fringe benefits	\$ 17,698,615	13,373,624	1,101,451	1,266,202	1,957,338
Other	7,459,962	2,592,409	492,106	199,555	4,175,892
Total	\$ 25,158,577	15,966,033	1,593,557	1,465,757	6,133,230
Total number of students *	3,117				
Cost per student	\$ 8,071	5,122	511	470	1,968

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

Instruction and Other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers' aides or classroom assistants of any type. (All the 1000, 2100, and 2200 functional codes)

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

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

Other - includes all expenditure functions not included in Instruction or Administration Categories.

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

LEAKE COUNTY SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

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

	<u>2008</u>	<u>2007*</u>	<u>2006*</u>	<u>2005*</u>
Revenues:				
Local sources	\$ 4,003,237	3,917,882	3,946,811	3,705,131
State sources	14,682,380	13,478,485	13,081,504	12,097,754
Federal sources	364,142	420,982	402,777	425,760
Total Revenues	<u>19,049,759</u>	<u>17,817,349</u>	<u>17,431,092</u>	<u>16,228,645</u>
Expenditures:				
Instruction	11,456,800	10,506,616	10,128,630	9,245,615
Support services	7,010,742	6,739,421	6,861,014	5,769,069
Noninstructional services	53,950	115,933	62,528	56,960
Total Expenditures	<u>18,521,492</u>	<u>17,361,970</u>	<u>17,052,172</u>	<u>15,071,644</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>528,267</u>	<u>455,379</u>	<u>378,920</u>	<u>1,157,001</u>
Other Financing Sources (Uses):				
Insurance loss recoveries		55,104	437,224	
Sale of transportation equipment	5,805	6,381	3,182	865
Sale of other property	730	732	1,292	1,339
Operating transfers in	292,352	45,577	1,904,355	2,128,680
Other financing sources		695		40
Operating transfer out	(478,508)	(411,162)	(2,567,252)	(2,877,509)
Other financing uses	(5,800)	(5,390)	(5,479)	(6,367)
Total Other Financing Sources (Uses)	<u>(185,421)</u>	<u>(308,063)</u>	<u>(226,678)</u>	<u>(752,952)</u>
Net Change in Fund Balances	<u>342,846</u>	<u>147,316</u>	<u>152,242</u>	<u>404,049</u>
Fund Balances:				
July 1	3,681,089	3,533,120	3,380,878	2,976,829
Prior period adjustments		653		
July 1, as restated	<u>3,681,089</u>	<u>3,533,773</u>	<u>3,380,878</u>	<u>2,976,829</u>
June 30	<u>\$ 4,023,935</u>	<u>3,681,089</u>	<u>3,533,120</u>	<u>3,380,878</u>

* SOURCE - PRIOR YEAR AUDIT REPORTS

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

	<u>2008</u>	<u>2007*</u>	<u>2006*</u>	<u>2005*</u>
Revenues:				
Local sources	\$ 4,878,361	4,734,140	4,663,656	4,307,445
State sources	16,007,230	14,850,156	14,309,281	13,218,430
Federal sources	4,442,315	4,649,475	4,909,430	4,894,810
Sixteenth section sources	166,155	141,702	135,883	180,151
Total Revenues	<u>25,494,061</u>	<u>24,375,473</u>	<u>24,018,250</u>	<u>22,600,836</u>
Expenditures:				
Instruction	13,479,855	12,654,797	12,381,079	11,697,949
Support services	8,889,851	8,812,385	9,414,360	7,882,817
Noninstructional services	1,740,672	1,745,901	1,615,284	1,467,965
Sixteenth section	28,646	16,590	10,993	76,615
Facilities acquisition and construction	79,408	265,891	90,300	38,846
Debt service:				
Principal	520,000	510,000	485,000	465,000
Interest	415,359	315,424	312,239	332,055
Other	4,786	101,563	4,707	4,540
Total Expenditures	<u>25,158,577</u>	<u>24,422,551</u>	<u>24,313,962</u>	<u>21,965,787</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>335,484</u>	<u>(47,078)</u>	<u>(295,712)</u>	<u>635,049</u>
Other Financing Sources (Uses):				
Proceeds of refunding bonds		3,850,000		
Premium on debt issuance		12,594		
Insurance loss recoveries		55,104	437,224	
Sale of transportation equipment	5,805	6,381	3,182	865
Sale of other property	730	732	1,292	1,339
Operating transfers in	785,063	565,358	2,700,470	3,052,376
Other financing sources		695		40
Operating transfers out	(785,063)	(565,358)	(2,700,470)	(3,052,376)
Payment to refunded bond escrow agent		(3,765,681)		
Other financing uses	(5,800)	(5,390)	(5,479)	(20,265)
Total Other Financing Sources (Uses)	<u>735</u>	<u>154,435</u>	<u>436,219</u>	<u>(18,021)</u>
Net Change in Fund Balances	<u>336,219</u>	<u>107,357</u>	<u>140,507</u>	<u>617,028</u>
Fund Balances:				
July 1	7,647,701	7,531,910	7,388,778	6,769,261
Prior period adjustments	(19,224)			(1,206)
July 1, as restated	<u>7,628,477</u>	<u>7,531,910</u>	<u>7,388,778</u>	<u>6,768,055</u>
Increase (decrease) in reserve for inventory	<u>(8,704)</u>	<u>8,434</u>	<u>2,625</u>	<u>3,695</u>
June 30	<u>\$ 7,955,992</u>	<u>7,647,701</u>	<u>7,531,910</u>	<u>7,388,778</u>

* SOURCE - PRIOR YEAR AUDIT REPORTS

LEAKE COUNTY SCHOOL DISTRICT

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE



WATKINS, WARD and STAFFORD
Professional Limited Liability Company
Certified Public Accountants

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

Superintendent and School Board
Leake County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Leake County School District as of and for the year ended June 30, 2008, which collectively comprise the Leake County School District's basic financial statements and have issued our report thereon dated July 29, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the school district's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in the internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that

there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Findings 08-1, 08-2, 08-3, and 08-4 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the school district's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weakness. However, we believe that none of the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that we have reported to management of the school district in a separate letter dated July 29, 2009, which is included in this report.

Leake County School District's responses to the findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. We did not audit Leake County School District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Watkins, Ward and Stafford, PLLC
Philadelphia, Mississippi
July 29, 2009





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

Superintendent and School Board
Leake County School District

Compliance

We have audited the compliance of the Leake County School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The school district's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of finding and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the school district's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the school district's compliance with those requirements.

In our opinion, Leake County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the Leake County School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the school district's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in the internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Findings 08-5, 08-6, and 08-7 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

Leake County School District's responses to the findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. We did not audit Leake County School District's responses and, accordingly, we express no opinion on them.

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

Watkins, Ward and Stafford, PLLC
Philadelphia, Mississippi
July 29, 2009

Watkins Ward and Stafford, PLLC

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LEAKE COUNTY SCHOOL DISTRICT

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



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board
Leake County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Leake County School District as of and for the year ended June 30, 2008, which collectively comprise Leake County School District's basic financial statements and have issued our report thereon dated July 29, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$17,356 of classroom supply funds carried over from previous years.

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instances of noncompliance with other state laws and regulations. Our findings and recommendations and your responses are as follows:

Surety Bonds Should be on File at Office of Chancery Clerk

1. Finding

Section 25-1-19, Miss. Code Ann. (1972) states in part...All the bonds shall be filed and recorded in the office of the clerk of the chancery court of the county....

Our audit test work revealed that the surety bonds for the Superintendent, two board members, one principal and purchasing agent was not on file with the office of the Chancery Clerk until after year ending June 30, 2008.

Due to failure to have these bonds recorded at office of Chancery Clerk, the district failed to comply with Section 25-1-19, Miss. Code Ann. (1972).

Recommendation

We recommend at the point of any change in bonds or new bonds obtained, they are recorded at the office of the Chancery Clerk.

School District Response

District has taken the necessary steps to ensure that all bonds are properly and timely filed in the Chancery Clerk's office. Administrative Assistant has been informed that bonds are to be filed at the time in which received. This person is responsible for maintaining a log as to when the bonds are received and when they are submitted to the Chancery Clerk's office.

Sixteenth Section Leases

1. Finding

Section 29-3-57, Miss. Code Ann. (1972) states in part...Upon a sixty (60) day default in payment of any rentals according to the terms of such lease, the lease shall be declared terminated unless the board of education finds extenuating circumstances were present,....

Our audit test work revealed there were instances noted where leases were more than 60 days late with no mention of legally required termination procedures being implemented or extenuating circumstances noted in board minutes.

Recommendation

The district should comply with Section 29-3-57, Miss. Code Ann. (1972), and terminate leases upon (60) day default unless board of education finds extenuating circumstances.

School District Response

The district has instituted a new policy regarding delinquent rental payments on Sixteenth Section Leases. The district's Superintendent Office shall notify its attorney on the date said lease is in default. Legal counsel is responsible for then mailing to the lessee a notice of cancellation and begin cancellation process.

The district, in implementing this procedure, will be in full compliance with Section 29-3-52 of the Miss. Code Ann. (1972) as amended, as well as, providing due process as afforded to the lessee in said Sixteenth Section Leases.

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

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

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Watkins, Ward and Stafford, PLLC
Philadelphia, Mississippi
July 29, 2009

Watkins, Ward and Stafford, PLLC

LEAKE COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LEAKE COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2008

Section 1: Summary of Auditors' Results

Financial Statements:

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

Federal Awards:

- | | | |
|-----|--|-------------|
| 4. | Type of auditors' report issued on compliance for major federal programs: | Unqualified |
| 5. | Internal control over major programs: | |
| a. | Material weakness(es) identified? | No |
| b. | Significant deficiencies identified that are not considered to be material weaknesses? | Yes |
| 6. | Any audit finding(s) reported as required by Section __.510(a) of Circular A-133? | Yes |
| 7. | Federal programs identified as major programs: | |
| a. | Child Nutrition Cluster: CFDA #10.553
CFDA #10.555 | |
| b. | Special Education Cluster: CFDA #84.027
CFDA #84.173 | |
| c. | Medical Assistance Program: CFDA #93.778 | |
| 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 finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | Yes |

LEAKE COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2008

Section 2: Financial Statement Findings

Significant Deficiencies Not Considered to be Material Weaknesses

08-1 Payroll Expenditures Should be Supported by Adequate Documentation

Finding

Management is responsible for ensuring that all payroll expenditures made by the district are adequately documented.

During our test of payroll expenditures, we found that the supporting documentation for nonexempt employees was incomplete or was not used to calculate the amount of salary an employee had earned.

As a result of improper internal controls for payroll expenditures, payments to nonexempt personnel were processed without adequate documentation.

Recommendation

We recommend the district maintain adequate records for all nonexempt personnel to support payroll expenditures.

08-2 Controls Related to the Purchasing/Expenditures Function Should be Strengthened

Finding

Management is responsible for establishing a proper internal control system to ensure proper financial accountability and safeguarding of assets.

During our test of 40 activity fund expenditures totaling \$24,777 we noted that in six expenditures, the purchase orders were approved after invoices were received.

Inadequate internal controls related to the expenditures and disbursements cycle could result in misappropriation or loss of assets.

Recommendation

We recommend the district implement controls to require purchase orders be completed and approved, and signed before purchases are made.

LEAKE COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2008

08-3 Controls Related to Segregation of Duties Should be Strengthened

Finding

Management is responsible for establishing a proper internal control system to ensure strong financial accountability and safeguarding of assets.

During our test of internal control, we noted that the same individual performed the following functions in the cash receipts/revenue cycle which indicated a lack of segregation of duties:

- Received cash
- Prepared deposits
- Transported deposits to the banking institutions

Without proper segregation of duties, the district increases the risk that unauthorized or inappropriate transactions could be processed and the district personnel would not detect the problem while performing their normal duties.

Recommendation

We recommend the district revise its system of cash receipts/revenue functions whereby duties would be divided to the greatest possible extent.

08-4 Controls Should be Strengthened Concerning Employee Compensation

Finding

Safeguarding of assets and reliable financial reporting are paramount duties of management.

During test work on activity fund expenditures, we noted that the district paid four student workers a total of \$338 through general activity funds instead of processing the expenditures through payroll. No withholdings were held out of these checks.

Payment of student workers through the general activity funds was the result of inadequate internal controls surrounding the expenditures and disbursement cycle.

Inadequate internal controls surrounding the expenditures and disbursements cycle could result in improper expenditure recognition.

LEAKE COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2008

Recommendation

We recommend that the district pay all employees through the centralized payroll system and account for withholdings as required by Circular E issued by the Internal Revenue Service.

Section 3: Federal Award Findings and Questioned Costs

Significant Deficiencies Not Considered to be Material Weaknesses

08-5 Internal Control Surrounding Child Nutrition Expenditures Should be Strengthened

Program: Child nutrition cluster, passed-through the Mississippi Department of Education
CFDA #10.553 School Breakfast Program
CFDA #10.555 National School Lunch Program

Compliance requirement: Activities allowed or unallowed

Finding

The Mississippi Department of Education Child Nutrition Programs Policy and Procedures Manual states that bad debts are an unallowable cost of the child nutrition program. The Office of Management and Budget's Circular A-87 provides that one of the unallowable costs of federal programs is bad debts, including losses, arising from uncollectible accounts and other claims. In addition, we are not aware of any authority under state law that would allow employees to charge school lunches.

During test work performed on daily food sales, we noted that the district allowed students and adults to charge meals. Our test work indicated at June 30, 2008, a total of \$19 uncollected student charged meals and \$1 uncollected adult charged meal.

This noncompliance resulted from the district allowing students and adults to charge meals.

Recommendation

We recommend that the district enforce their policies and implement procedures to ensure they do not allow the charging of meals.

LEAKE COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2008

08-6 Controls Surrounding Child Nutrition Receipts Should be Strengthened

Program: Child nutrition cluster, passed-through the Mississippi Department of Education
CFDA #10.553 School Breakfast Program
CFDA #10.555 National School Lunch Program

Compliance requirement: Program Income

Finding

Management is responsible for complying with the requirements of the Mississippi Department of Education Child Nutrition Programs Policy and Procedures manual, which recommends that cash deposits be made on a timely basis.

During our test of Child Nutrition daily deposits, we noted deposits at one school prior to April 2008 were not being timely deposited.

Inadequate internal controls surrounding Child Nutrition revenue collection could result in misappropriation of assets and improper recognition.

Recommendation

We recommend that the district follow the Mississippi Department of Education Child Nutrition Programs Policy and Procedures Manual by requiring the deposits be made on a timely basis.

08-7 Controls Surrounding Child Nutrition Receipts Should be Strengthened

Program: Child nutrition cluster, passed-through the Mississippi Department of Education
CFDA #10.553 School Breakfast Program
CFDA #10.555 National School Lunch Program

Compliance requirement: Activities allowed and unallowed
Allowable cost/cost principles

Finding

Management is responsible for establishing internal controls to provide reasonable assurance that federal awards are expended only for allowable activities and that the costs of goods and services charged to the federal awards are allowable and in accordance with the applicable cost principles.

LEAKE COUNTY SCHOOL DISTRICT

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2008**

During our test of 15 Child Nutrition expenditures totaling \$289,705, we noted purchase orders were approved by the school nutrition administrator after the order or after the service was performed for 10 expenditures totaling \$24,434. These expenditures were for cleaning products, repairs and other supplies.

Inadequate internal controls concerning Child Nutrition expenditures could result in unallowable expenditures being incurred by Child Nutrition funds. It could result in misappropriation of assets or improper expenditures.

Recommendation

We recommend management implement internal controls to require purchase orders to be completed, approved, and signed before purchases are made.

LEAKE COUNTY SCHOOL DISTRICT

**AUDITEE'S CORRECTIVE ACTION PLAN
AND
SUMMARY OF PRIOR AUDIT FINDINGS**

MONTE LADNER
Superintendent of Education

SHIRLEY H. NICHOLS, PH. D.
Assistant Superintendent

DEMETRIA ARMON
Title I Coordinator

TINA ATKINS
Special Education Supervisor

LYNN TRIPLETT
Food Service Supervisor

DENESHIA HARLSON
Business Manager

Department of Education

Leake County

Post Office Drawer 478
Carthage, Mississippi 39051
www.leakesd.k12.ms.us

Phone: (601) 267-4579
Fax: (601) 267-5283

PAMELA R. GILL
Payroll Supervisor

KATHY OSBORN
Purchasing/Fixed Assets Officer

FRANCES W. TUCKER
Administrative Secretary

STEPHANIE PICKLE
Administrative Secretary

EVELYN BUTLER
Administrative Secretary

KRYSTIA GRIFFIN
Accounts Payable Officer

VEVERLY MCELROY
Assistant Payroll Clerk

Financial & Compliance Audit Division

As required by Section ____,315(c) of OMB Circular A-133, the Leake County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2008:

Finding

Corrective Action Plan Details

08-1

a. Name(s) of Contact Person(s) Responsible for Corrective Action:
Paul Chamblee, School Board President, 601-267-4579
Randolph Trippe, School Board Vice President
Robbye Crosby, School Board Member
Bulus Leflore, School Board Secretary
Billy King, School Board Member
Monte Ladner, Superintendent of Education

b. Corrective Action Planned:
School board members voted and is reflected in its minutes for the district to continue compensating non-exempt employees based on twelve equal installments for the 2009-2010 fiscal year. District plans to maintain adequate records for all personnel to support expenditures.

c. Anticipated Completion Date:
July 2009

08-2

a. Name(s) of Contact Person(s) Responsible for Corrective Action:
Monte Ladner, Superintendent, 601-267-4579
Jimmy Henderson, Principal, 601-253-2324
Shaneice Mabry, Principal, 601-253-2393
Calvin Melton, Principal, 601-267-7896
Glenda Holleyman, Principal, 601-267-8442
J.B. Norwood, Principal, 601-267-7713
Haywood Hannah, Principal, 601-267-8909
Billy Wilbanks, Principal, 601-267-7137
Elizabeth Jenkins, Principal, 601-267-9148

b. Corrective Action Planned:
Principals have been instructed to follow purchasing laws. Each school is responsible for obtaining purchase orders prior to the purchase of items.

c. Anticipated Completion Date:
June 2009

08-3

a. Name(s) of Contact Person(s) Responsible for Corrective Action:
Monte Ladner, Superintendent, 601-267-4579
Deneshia Harlson, Business Manager, 601-267-4579

b. Corrective Action Planned:
All district secretaries and bookkeepers have been informed not to solely handle cash and deposits. System has been revised and duties for cash intake have been segregated for each location.

c. Anticipated Completion Date:
April 2009

08-4

a. Name(s) of Contact Person(s) Responsible for Corrective Action:
J. B. Norwood, Principal, 601-267-7713
Monte Ladner, Superintendent, 601-267-4579

b. Corrective Action Planned:
District Principals have been informed that student workers are to be paid from Payroll and not Accounts Payable so that withholdings can be accounted for.

c. Anticipated Completion Date:
April 2009

08-5

a. Name(s) of Contact Person(s) Responsible for Corrective Action:
Lynn Triplett, Child Nutrition Supervisor, 601-267-3936
Monte Ladner, Superintendent, 601-267-4579

b. Corrective Action Planned:
Child Nutrition Supervisor has been informed of District's policy related to meal charges. District plans to enforce this policies and implement procedures to ensure that meals or not charged.

c. Anticipated Completion Date:
May 2009

08-6

a. Name(s) of Contact Person(s) Responsible for Corrective Action:
Lynn Triplett, Child Nutrition Supervisor, 601-267-3936
Monte Ladner, Superintendent, 601-267-4579

b. Corrective Action Planned:
Cafeteria managers have been instructed of the importance to make timely deposits. Districts plans to follow the MDE Child Nutrition Programs Policy and Procedures Manual and ensure deposits are made in a timely manner.

c. Anticipated Completion Date:
May 2009

08-7

a. Name(s) of Contact Person(s) Responsible for Corrective Action:
Lynn Triplett, Child Nutrition Supervisor, 601-267-3936
Monte Ladner, Superintendent, 601-267-4579

08-7

a. Name(s) of Contact Person(s) Responsible for Corrective Action:
Lynn Triplett, Child Nutrition Supervisor, 601-267-3936
Monte Ladner, Superintendent, 601-267-4579

b. Corrective Action Planned:
District has revised the Child Nutrition purchasing procedures to ensure adequate internal controls concerning expenditures.

c. Anticipated Completion Date:
May 2009

MONTE LADNER
Superintendent of Education

SHIRLEY H. NICHOLS, PH. D.
Assistant Superintendent

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Title I Coordinator

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Administrative Secretary

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Assistant Payroll Clerk

AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

As required by Section ____315(b) of OMB Circular A-133, the Leake County School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2008.00:00

<u>Finding</u>	<u>Status</u>
07-1	Corrected
07-2	Not corrected relating to nonexempt employees payroll expenditures being adequately documented; however, all employee's salary and employment approved int the board minutes
07-3	Not corrected 07-3 A., Corrected 07-3 B and C.
07-4	Corrected April 2009
07-5	Corrected
07-6	Corrected
07-7	Corrected April 2009
07-8	Not corrected
07-9	Corrected February 2009
07-10	Not corrected 07-10A, Corrected 07-10B
07-11	Corrected