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LEFLORE COUNTY SCHOOL DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2008

Charles L. Shivers, CPA  
Ridgeland, MS

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FINANCIAL AUDIT REPORT

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# CHARLES L. SHIVERS

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## INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board  
Leflore County School District

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

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Leflore 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*, I have also issued my report dated September 4, 2009, on my consideration of the Leflore County School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 my audit.

The Management's Discussion and Analysis and the Budgetary Comparison Schedule(s) and related notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I 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, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Leflore 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 my 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, I express no opinion on it.



Ridgeland, MS  
September 4, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The discussion and analysis of Leflore 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 \$912,947 (inclusive of the prior period adjustment), which represents an 8.2% increase from fiscal year 2007.
- General revenues account for \$18,971,354 in revenue, or 73.3% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$6,893,007 or 26.7% of total revenues.
- The District had \$24,956,788 in expenses; only \$6,893,007 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$18,971,354 were adequate to provide for these programs.
- Among major funds, the General Fund had \$17,493,280 in revenues and \$17,358,647 in expenditures. The General Fund's fund balance decreased \$6,922 from the prior year. The decrease was due primarily to increases in gasoline and utility costs as well as increases in salaries, health insurance and retirement benefits.
- Capital assets, net of accumulated depreciation, decreased by \$103,825.
- Long-term debt decreased by \$254,815.

#### 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 and other expenses 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.

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

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

**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 have 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.

Additionally, a Schedule of Expenditures of Federal Awards is required by OMB Cir. A-133 and a Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, as required by the Mississippi State Auditor, can be found in this report. Also, this report includes a Statement of Revenues, Expenditures and Changes in Fund Balance, General Fund, Last Four Years and a Statement of Revenues, Expenditures and Changes in Fund Balance, All Governmental Funds, Last Four Years as required by the Mississippi Department of Education.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net assets.** Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$11,982,692 as of June 30, 2008.

A large portion of the District's net assets (19.8%) reflects its investment in capital assets (e.g., land, buildings, building improvements, 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 payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

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

	<u>Net Assets</u>		<u>Percentage</u>
	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>Change</u>
Current assets	\$ 10,000,646	\$ 9,610,783	4.1 %
Restricted assets	856,019	514,425	66.4 %
Non-depreciable assets	149,099	149,099	0.0 %
Depreciable assets, net	<u>3,093,685</u>	<u>3,197,510</u>	-3.2 %
<b>Total assets</b>	<u>14,099,449</u>	<u>13,471,817</u>	4.0 %
Current liabilities	947,336	977,836	-3.1%
Long-term debt outstanding	<u>1,169,421</u>	<u>1,424,236</u>	-17.9 %
<b>Total liabilities</b>	<u>2,116,757</u>	<u>2,402,072</u>	-11.9 %
<b>Net assets:</b>			
Invested in capital assets, net of related debt	2,367,784	2,206,609	7.3 %
Restricted	4,982,192	4,563,781	9.2 %
Unrestricted	<u>4,632,716</u>	<u>4,299,355</u>	7.8 %
<b>Total net assets</b>	<u>\$ 11,982,692</u>	<u>11,069,745</u>	8.2 %

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

- The increase in current assets is represented primarily by cash and other deposits and due from other governments. This is the result of an increased level of state funding under the Mississippi Adequate Education Program to pay increases in teacher salaries as mandated by the Mississippi State Legislature and also increases in 16<sup>th</sup> section revenues.
- The principal retirement of \$265,000 of long-term debt.
- The addition of \$58,297 in capital assets from the construction of a new school.

**Changes in net assets.** The District's total revenues for the fiscal year ended June 30, 2008 were \$25,864,361. The total cost of all programs and services was \$24,956,788. The following table presents a summary of the changes in net assets for the fiscal years ending June 30, 2008 and 2007, respectively.

	<u>Change in Net Assets</u>		<u>Percentage</u>
	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 262,457	\$ 330,912	-20.7 %
Operating grants and contributions	6,630,550	5,673,446	16.9 %
General revenues:			
Property taxes	3,289,449	3,075,470	7.0 %
Grants and contributions not restricted	14,532,374	14,166,329	2.6 %
Unrestricted interest earnings	244,383	281,978	-13.3 %
Sixteenth section sources	885,487	643,753	37.6 %
Other	<u>19,661</u>	<u>27,892</u>	-29.5 %
<b>Total revenues</b>	<u>25,864,361</u>	<u>24,199,780</u>	6.9 %
<b>Expenses:</b>			
Instruction	14,122,765	13,082,376	8.0%
Support services	8,689,233	7,700,136	12.8 %
Non-instructional	2,069,466	1,971,397	5.0 %
Sixteenth section	23,775	37,540	-36.7 %
Interest and other expense on long-term liabilities	<u>51,549</u>	<u>61,839</u>	-16.6 %
<b>Total expenses</b>	<u>24,956,788</u>	<u>22,853,288</u>	9.2 %

<b>Increase (Decrease) in net assets</b>	907,573	1,346,492	-32.6 %
<b>Net Assets, July 1</b>	<u>11,069,745</u>	<u>9,756,023</u>	13.5 %
<b>Prior Period Adjustments</b>	5,374	(32,770)	116.4 %
<b>Net Assets, June 30</b>	<u>\$ 11,982,692</u>	<u>\$ 11,069,745</u>	8.2 %

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

- The increase in total revenue is primarily a result of increased level of program revenues and an increased level of state funding under the Mississippi Adequate Education program.
- The increase in total expenses is primarily a result of an increase in teacher salaries and increases in health insurance and retirement benefit costs.

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

	2008		2007	
	Total Expenses	Net(Expense) Revenue	Total Expenses	Net(Expense) Revenue
Instruction	\$14,122,765	\$(10,958,704)	\$13,082,376	\$(10,705,254)
Support services	8,689,233	(6,877,498)	7,700,136	(6,004,926)
Non-instructional	2,069,466	(152,255)	1,971,397	(39,371)
Sixteenth section	23,775	(23,775)	37,540	(37,540)
Interest and other expenses on long-term liabilities	<u>51,549</u>	<u>(51,549)</u>	<u>61,839</u>	<u>(61,839)</u>
<b>Total expenses</b>	<u>\$24,956,788</u>	<u>\$(18,063,781)</u>	<u>\$22,853,288</u>	<u>\$(16,848,930)</u>

- Net cost of governmental activities (\$18,063,781), was financed by general revenue, which is made up of primarily property taxes (\$3,289,449) and state revenue (\$14,071,608).
- Investment earnings accounted for \$244,383 of funding.
- Sixteenth section revenues from leases and investment earnings accounted for \$885,487 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 \$9,708,980, an increase of \$531,196, exclusive of the increase in inventory, due primarily to an increase in sixteenth section revenues. \$9,151,682 or 94.3% 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 \$557,298 or 5.7% is reserved 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 decrease in fund balance in the General Fund for the fiscal year was \$6,922 a result of an increase in teacher salaries and health insurance and retirement benefit costs as well as

increases in gasoline and utility costs. The fund balance of Other Governmental Funds showed an increase due primarily to an increase in sixteenth section revenues.

### BUDGETARY HIGHLIGHTS

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

- Revisions to the budget were made to reflect changes in personnel during the year. In addition, when the original budget was completed, several federal project allocations were estimated. As the actual allocations were made available, amendments were made to the 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 \$9,600,686, including land, school buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$109,698 from the previous year. Total accumulated depreciation as of June 30, 2008 was \$6,357,902 and total depreciation expense for the year was \$167,438, resulting in total net assets of \$3,242,784.

	<u>Capital Assets, Net of Depreciation</u>		Percentage
	<u>2008</u>	<u>2007</u>	<u>Change</u>
Land	\$ 149,099	\$ 149,099	0.0 %
Buildings	2,573,471	2,647,387	-2.8 %
Building improvements	11,662	13,606	-14.3 %
Mobile equipment	404,498	428,210	-5.5 %
Furniture and equipment	104,054	108,307	-3.9 %
<b>Total</b>	<b>\$ 3,242,784</b>	<b>\$ 3,346,609</b>	<b>-3.1 %</b>

**Debt Administration.** At June 30, 2008, the District had \$1,169,421 in general obligation bonds and other long-term debt outstanding, of which \$289,721 is due within one year.

	<u>Outstanding Debt</u>		Percentage
	<u>2008</u>	<u>2007</u>	<u>Change</u>
General obligation refunding bonds payable	\$ 875,000	\$ 1,140,000	-23.2 %
Compensated absences payable	294,421	284,236	3.6 %
<b>Total</b>	<b>\$ 1,169,421</b>	<b>\$ 1,424,236</b>	<b>-17.9 %</b>

The District maintains an excellent bond rating with Moody's Investment Services.

### CURRENT ISSUES

The Leflore County School District is financially stable. The District is proud of its community support of the public schools. The District's system of financial planning, budgeting and internal accounting controls are well regarded.

The District plans to continue its sound fiscal management to meet the challenges of the future.

### CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Leflore County School District, 1901 Highway 82 West, Greenwood, MS, 38930.

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BASIC FINANCIAL STATEMENTS

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Leflore County School District  
Statement of Net Assets  
June 30, 2008

Exhibit A

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 8,320,606
Investments (Note 2)	\$ 380,374
Due from other governments	\$ 987,078
Lease receivables, net (Note 11)	\$ 210,386
Inventories	\$ 48,687
Other receivables	\$ 53,515
Restricted assets (Note 4)	\$ 856,019
Non-depreciable capital assets (Note 5)	\$ 149,099
Depreciable capital assets, net (Note 5)	\$ 3,093,685
<b>Total Assets</b>	<u>\$ 14,099,449</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 915,099
Unearned revenue	\$ 22,200
Interest payable on long-term liabilities	\$ 10,037
Long-term liabilities (Due within one year) (Note 6)	
Capital related liabilities	\$ 275,000
Non-capital related liabilities	\$ 14,721
Long-term liabilities (Due beyond one year) (Note 6)	
Capital related liabilities	\$ 600,000
Non-capital related liabilities	\$ 279,700
<b>Total Liabilities</b>	<u>\$ 2,116,757</u>
<b>Net assets</b>	
Investment in capital assets (net of related debt)	\$ 2,367,784
Restricted net assets	
Expendable	
School-based activities	\$ 4,500,618
Debt service	\$ 157,781
Forestry improvements	\$ 27,077
Unemployment benefits	\$ 109,783
Non-expendable	
Sixteenth section	\$ 186,933
Unrestricted	<u>\$ 4,632,716</u>
<b>Total Net Assets</b>	<u>\$ 11,982,692</u>

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



Leflore County School District  
 Balance Sheet - Governmental Funds  
 June 30, 2008

Exhibit C

	Major Funds				Total Governmental Funds
	General Fund	Title I Fund	16 Section Interest Fund	Other Governmental Funds	
<b>Assets</b>					
Cash and cash equivalents (Note 2)	\$ 4,512,020		\$ 3,642,338	\$ 835,334	\$ 8,989,692
Investments (Note 2)				\$ 567,307	\$ 567,307
Due from other governments	\$ 198,897	\$ 394,589		\$ 393,592	\$ 987,078
Lease receivables, net (Note 11)			\$ 210,386		\$ 210,386
Due from other funds (Note 3)	\$ 606,778				\$ 606,778
Advances to other funds (Note 3)	\$ 17,000				\$ 17,000
Inventories				\$ 48,687	\$ 48,687
<b>Total Assets</b>	<b>\$ 5,334,695</b>	<b>\$ 394,589</b>	<b>\$ 3,852,724</b>	<b>\$ 1,844,920</b>	<b>\$ 11,426,928</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable & accrued liabilities	\$ 758,026	\$ 69,026		\$ 88,047	\$ 915,099
Due to other funds (Note 3)		\$ 324,590		\$ 245,673	\$ 570,263
Unearned revenue		\$ 973		\$ 21,227	\$ 22,200
Deferred revenue (Note 11)			\$ 210,386		\$ 210,386
<b>Total Liabilities</b>	<b>\$ 758,026</b>	<b>\$ 394,589</b>	<b>\$ 210,386</b>	<b>\$ 354,947</b>	<b>\$ 1,717,948</b>
<b>Fund Balances</b>					
<b>Reserved for</b>					
Debt service purposes				\$ 167,818	\$ 167,818
Permanent fund purposes				\$ 186,933	\$ 186,933
Unemployment benefits				\$ 109,783	\$ 109,783
Forestry improvements				\$ 27,077	\$ 27,077
Advances	\$ 17,000				\$ 17,000
Inventory				\$ 48,687	\$ 48,687
<b>Unreserved</b>					
Undesignated, reported in					
General fund	\$ 4,559,669				\$ 4,559,669
Special revenue funds			\$ 3,642,338	\$ 599,207	\$ 4,241,545
Permanent funds				\$ 350,468	\$ 350,468
<b>Total Fund Balances</b>	<b>\$ 4,576,669</b>	<b>\$ -</b>	<b>\$ 3,642,338</b>	<b>\$ 1,489,973</b>	<b>\$ 9,708,980</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,334,695</b>	<b>\$ 394,589</b>	<b>\$ 3,852,724</b>	<b>\$ 1,844,920</b>	<b>\$ 11,426,928</b>

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

Leflore County School District  
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets  
 June 30, 2008

Exhibit C-1

	<u>Amount</u>
Total fund balance - governmental funds	\$ 9,708,980
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets are used in governmental activities and are not financial resources, therefore the assets are not reported in the governmental funds, net of accumulated depreciation of \$6,357,902.	\$ 3,242,784
Long-term liabilities are not due and payable in the current period, therefore the long-term liabilities are not reported in the governmental funds.	\$ (1,169,421)
Accrued interest payable on long-term liabilities is not due and payable in the current period, therefore it is not reported in the governmental funds.	\$ (10,037)
Delinquent sixteenth section lease receivables, which are measurable but not available, are reported as deferred revenue in the governmental funds but are included in net assets of the governmental activities.	<u>\$ 210,386</u>
Total net assets - governmental activities	<u>\$ 11,982,692</u>

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

Leflore County School District  
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended June 30, 2008

Exhibit D

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Title I Fund	16 Section Interest Fund		
<b>Revenues</b>					
Local sources	\$ 3,401,488	\$ 4,729		\$ 409,731	\$ 3,815,948
State sources	\$ 13,704,639			\$ 1,424,082	\$ 15,128,721
Federal sources	\$ 387,153	\$ 1,972,579		\$ 3,674,473	\$ 6,034,205
Sixteenth section sources			\$ 652,126	\$ 22,975	\$ 675,101
<b>Total Revenues</b>	<b>\$ 17,493,280</b>	<b>\$ 1,977,308</b>	<b>\$ 652,126</b>	<b>\$ 5,531,261</b>	<b>\$ 25,653,975</b>
<b>Expenditures</b>					
Instruction	\$ 10,674,783	\$ 1,031,237		\$ 2,360,814	\$ 14,066,834
Support services	\$ 6,683,864	\$ 886,587		\$ 1,056,150	\$ 8,626,601
Noninstructional services		\$ 30,697		\$ 2,055,169	\$ 2,085,866
Sixteenth section			\$ 23,775		\$ 23,775
Debt service					
Principal (Note 6)				\$ 265,000	\$ 265,000
Interest				\$ 52,763	\$ 52,763
Other				\$ 1,940	\$ 1,940
<b>Total Expenditures</b>	<b>\$ 17,358,647</b>	<b>\$ 1,948,521</b>	<b>\$ 23,775</b>	<b>\$ 5,791,836</b>	<b>\$ 25,122,779</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 134,633	\$ 28,787	\$ 628,351	\$ (260,575)	\$ 531,196
<b>Other Financing Sources (Uses)</b>					
Operating transfers in (Note 3)	\$ 52,033			\$ 193,587	\$ 245,620
Operating transfers out (Note 3)	\$ (193,588)	\$ (28,787)		\$ (23,245)	\$ (245,620)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (141,555)</b>	<b>\$ (28,787)</b>	<b>\$ -</b>	<b>\$ 170,342</b>	<b>\$ -</b>
<b>Net Change in Fund Balances</b>	<b>\$ (6,922)</b>	<b>\$ -</b>	<b>\$ 628,351</b>	<b>\$ (90,233)</b>	<b>\$ 531,196</b>
<b>Fund Balances</b>					
July 1, 2007	\$ 4,583,591	\$ -	\$ 3,013,987	\$ 1,562,985	\$ 9,160,563
Increase in reserve for inventory				\$ 17,221	\$ 17,221
<b>June 30, 2008</b>	<b>\$ 4,576,669</b>	<b>\$ -</b>	<b>\$ 3,642,338</b>	<b>\$ 1,489,973</b>	<b>\$ 9,708,980</b>

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

Leflore 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

Exhibit D-1

	<u>Amount</u>
Net change in fund balance - governmental funds	\$ 531,196
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital assets as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$58,297 and the depreciation expense amounted to \$167,438.	\$ (109,141)
Payment on the principal on long-term liabilities is reported as expenditures in the governmental funds, but the payment reduces long-term liabilities in the statement of activities.	\$ 265,000
Expenses associated with changes in the compensated absences liability is reported in the statement of activities, but is not reported in the governmental funds.	\$ (10,185)
The sale and/or disposal of capital assets is reported as other financing sources in the governmental funds, but is reported as a reduction of capital assets, net of accumulated depreciation, along with the loss on the sale/disposal of capital assets on the statement of activities.	\$ (58)
Accrued interest payable is reported in the statement of activities, but is not reported in the governmental funds.	\$ 3,154
Increase in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are decreased in the Statement of Activities.	\$ 17,221
Delinquent sixteenth section lease receivables, which are measurable but not available, are reported as revenue in the changes in net assets of governmental activities, but are not included in the revenue of the governmental funds.	<u>\$ 210,386</u>
Changes in net assets of governmental activities	<u>\$ 907,573</u>

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

Leflore County School District  
Statement of Fiduciary Assets and Liabilities  
June 30, 2008

Exhibit E

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents (Note 2)	\$ 61,459
Total Assets	<u>\$ 61,459</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 7,944
Due to other funds (Note 3)	\$ 36,515
Advances from other funds (Note 3)	<u>\$ 17,000</u>
Total Liabilities	<u>\$ 61,459</u>

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

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Leflore 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 to which each member was elected by the citizens of each defined county district.

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

B. 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.
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 and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are

Leflore County School District  
Notes to Financial Statements  
For the Year Ended June 30, 2008

reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

The school district reports the following major governmental funds:

**General Fund** – This is the school district’s primary operating fund. 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.

**Title I Fund** – This special revenue fund is financed with federal funds and is used to account for the activities associated with educationally deprived children.

**16<sup>th</sup> Section Interest Fund** – This fund is used to account for the expendable financial resources generated from the use of sixteenth section trust lands. Available funds may be transferred to the General Fund or Construction Funds and may be used for appropriate purposes.

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

The District’s fiduciary funds include the following:

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

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

Additionally, the school district reports the following fund types:

#### GOVERNMENTAL FUND TYPES

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

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

Leflore County School District  
Notes to Financial Statements  
For the Year Ended June 30, 2008

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.

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 maintained to account for commitments resulting from purchase orders, work orders, and contracts during the fiscal year. However, the school district attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported as reservations of fund balances since they do not constitute expenditures or liabilities.

F. Assets, liabilities, and net assets or equity

1. Cash, Cash Equivalents and Investments.

Leflore County School District  
Notes to Financial Statements  
For the Year Ended June 30, 2008

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.

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

6. Capital Assets.

Capital assets, which include property, plant, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of

Leflore County School District  
Notes to Financial Statements  
For the Year Ended June 30, 2008

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 5 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).

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

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

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

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

Leflore County School District  
Notes to Financial Statements  
For the Year Ended June 30, 2008

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

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

Reserved for 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 advances – An account used to offset advances recorded in the asset accounts since they do not constitute available spendable resources and are not a component of net current assets.

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

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

(2) Cash and Cash Equivalents and Investments.

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

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

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest surplus funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposits and interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, the principal and interest of which are fully guaranteed by the government or enumerated agency of the United States; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or interest in, and open-end or closed-end any management type investment

Leflore County School District  
Notes to Financial Statements  
For the Year Ended June 30, 2008

company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Amounts less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$9,556,999 (which includes \$567,307 of certificates of deposit with original maturities beyond three months and reported on Exhibit C as investments) and \$61,459, respectively. The bank balance was \$10,554,090.

**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 institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district.

Investments.

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

<u>Investment Type</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>	<u>Rating</u>
Certificates of deposit	Less than 1 year	\$ 567,307	N/A

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

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

**Custodial Credit Risk - Investments.** Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk.

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

(3) Interfund Receivables, Payables and Transfers.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Major fund – Title I Fund	\$ 324,590
	Other governmental funds	\$ 245,673
	Fiduciary funds	\$ 36,515
<b>Total</b>		<b>\$ 606,778</b>

Leflore County School District  
Notes to Financial Statements  
For the Year Ended June 30, 2008

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

B. Advances To/From Other Funds.

Receivable Fund	Payable Fund	Amount
General Fund	Fiduciary funds	\$ 17,000

C. Interfund Transfers.

Transfer Out	Transfer In	Amount
General Fund	Other governmental funds	\$ 193,588
Major fund – Title I Fund	General Fund	\$ 28,787
Other governmental funds	General Fund	\$ 23,245
<b>Total</b>		<b>\$ 245,620</b>

The transfer out of the General Fund was for the purpose of funding the vocational program in the Other Governmental Funds. The transfer from the Title I Fund and the Other Governmental Funds was for indirect cost.

(4) Restricted Assets.

The restricted assets represents the cash balance of \$669,086 from various funds that is legally restricted and the investment balance of \$186,933 of the Sixteenth Section Principal Fund (Permanent Fund) and other minor funds which is legally restricted and may not be used for purposes that support the district's programs.

(5) Capital Assets.

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

	Balance 7-1-2007	Additions	Retirements	Adjustments	Balance 6-30-2008
<b>Governmental Activities:</b>					
<u>Non-depreciable capital assets:</u>					
Land	\$ 149,099				\$ 149,099
Total non-depreciable capital assets	\$ 149,099	\$ 0	\$ 0	\$ 0	\$ 149,099
<u>Depreciable capital assets:</u>					
Buildings	\$ 7,043,013				\$ 7,043,013
Building improvements	\$ 48,593				\$ 48,593
Mobile equipment	\$ 1,525,437	\$ 23,285		\$ 10,835	\$ 1,559,557
Furniture and equipment	\$ 724,846	\$ 35,012	\$ (5,755)	\$ 46,321	\$ 800,424
Total depreciable capital assets	\$ 9,341,889	\$ 58,297	\$ (5,755)	\$ 57,156	\$ 9,451,587
<u>Less accumulated depreciation for:</u>					
Buildings	\$ 4,395,626	\$ 73,916			\$ 4,469,542
Building improvements	\$ 34,987	\$ 1,944			\$ 36,931
Mobile equipment	\$ 1,097,227	\$ 58,602		\$ (770)	\$ 1,155,059
Furniture and equipment	\$ 616,539	\$ 32,976	\$ (5,697)	\$ 52,552	\$ 696,370
Total depreciation	\$ 6,144,379	\$ 167,438	\$ (5,697)	\$ 51,782	\$ 6,357,902
Total depreciable capital assets, net	\$ 3,197,510	\$ (109,141)	\$ (58)	\$ 5,374	\$ 3,093,685
Governmental activities capital assets, net	\$ 3,346,609	\$ (109,141)	\$ (58)	\$ 5,374	\$ 3,242,784

Leflore County School District  
Notes to Financial Statements  
For the Year Ended June 30, 2008

Depreciation expense was charged to the following governmental functions:

Governmental activities:	Amount
Instruction	\$ 90,885
Support services	\$ 75,732
Non-instructional	\$ 821
Total Depreciation Expense	<u>\$ 167,438</u>

(6) Long-term Liabilities.

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

	Balance 7-1-2007	Additions	Reductions	Balance 6-30-2008	Amounts due within one year
A. General obligation refunding bonds payable	\$ 1,140,000		\$ 265,000	\$ 875,000	\$ 275,000
B. Compensated absences payable	<u>\$ 284,236</u>	<u>\$ 10,185</u>		<u>\$ 294,421</u>	<u>\$ 14,721</u>
Total	<u>\$ 1,424,236</u>	<u>\$ 10,185</u>	<u>\$ 265,000</u>	<u>\$ 1,169,421</u>	<u>\$ 289,721</u>

A. General obligation bonds payable.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation refunding bonds, 1998	4.51	7-1-98	7-1-11	\$ 3,065,000	\$ 875,000

Details of the district's June 30, 2008 general obligation refunding bonded indebtedness is as follows:

Year Ending June 30	Principal	Interest	Total
2009	\$ 275,000	\$ 40,705	\$ 315,705
2010	\$ 290,000	\$ 28,055	\$ 318,055
2011	\$ 310,000	\$ 14,570	\$ 324,570
Total	<u>\$ 875,000</u>	<u>\$ 83,330</u>	<u>\$ 958,330</u>

This debt will be retired from the debt service fund.

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2008, the amount of outstanding bonded indebtedness was equal to 0.8% of property assessments as of October 1, 2007.

B. 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.

Leflore County School District  
Notes to Financial Statements  
For the Year Ended June 30, 2008

(7) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 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 \$1,549,917, \$1,468,317 and \$1,407,086, respectively, which equaled the required contributions for each year.

(8) Sixteenth Section Lands.

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

Year Ending June 30	Amount
2009	\$ 673,380
2010	\$ 317,594
2011	\$ 304,481
2012	\$ 286,101
2013	\$ 276,951
2014 – 2018	\$ 156,376
2019 – 2023	\$ 45,550
2024 – 2028	\$ 42,600
2029 – 2033	\$ 27,975
Thereafter	\$ 900
Total	<u>\$ 2,131,908</u>

(9) Prior Period Adjustments/Exhibits.

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
Adjustment to capital assets – correction of prior year error	<u>\$ 5,374</u>

(10) Risk Management.

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of

Leflore County School District  
Notes to Financial Statements  
For the Year Ended June 30, 2008

assets; errors and omissions; injuries to employees; and natural disasters. Except as described below, the district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 95 school districts and one community college and covers risks of loss arising from injuries to the member's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

(11) Lease Receivables, Net / Deferred Revenue.

The lease receivables, net / deferred revenue (\$210,386) are the result of leases of trust lands whose lease payment are past due as of the close of the fiscal year, thus they are considered measurable but not available. The board of education has addressed the past due leases and anticipates collections on the lease payments.

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REQUIRED SUPPLEMENTARY INFORMATION

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Lefflore County School District  
 Budgetary Comparison Schedule for the 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
<b>Revenues</b>					
Local sources	\$ 3,267,816	\$ 3,401,488	\$ 3,401,488	\$ 133,672	\$ -
State sources	\$ 14,075,374	\$ 13,749,509	\$ 13,704,639	\$ (325,865)	\$ (44,870)
Federal sources	\$ 10,000	\$ 342,283	\$ 387,153	\$ 332,283	\$ 44,870
<b>Total Revenues</b>	<b>\$ 17,353,190</b>	<b>\$ 17,493,280</b>	<b>\$ 17,493,280</b>	<b>\$ 140,090</b>	<b>\$ -</b>
<b>Expenditures</b>					
Instruction	\$ 11,222,907	\$ 10,674,783	\$ 10,674,783	\$ 548,124	\$ -
Support services	\$ 6,358,159	\$ 6,743,838	\$ 6,683,864	\$ (385,679)	\$ 59,974
<b>Total Expenditures</b>	<b>\$ 17,581,066</b>	<b>\$ 17,418,621</b>	<b>\$ 17,358,647</b>	<b>\$ 162,445</b>	<b>\$ 59,974</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ (227,876)</b>	<b>\$ 74,659</b>	<b>\$ 134,633</b>	<b>\$ 302,535</b>	<b>\$ 59,974</b>
<b>Other Financing Sources (Uses)</b>					
Operating transfers in	\$ 1,030,000	\$ 292,953	\$ 52,033	\$ (737,047)	\$ (240,920)
Operating transfers out	\$ (765,000)	\$ (434,508)	\$ (193,588)	\$ 330,492	\$ 240,920
Other financing uses	\$ -	\$ (8,222)	\$ -	\$ (8,222)	\$ 8,222
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 265,000</b>	<b>\$ (149,777)</b>	<b>\$ (141,555)</b>	<b>\$ (414,777)</b>	<b>\$ 8,222</b>
<b>Net Change in Fund Balances</b>	<b>\$ 37,124</b>	<b>\$ (75,118)</b>	<b>\$ (6,922)</b>	<b>\$ (112,242)</b>	<b>\$ 68,196</b>
<b>Fund Balances</b>					
July 1, 2007	\$ 4,507,249	\$ 4,651,787	\$ 4,583,591	\$ 144,538	\$ (68,196)
June 30, 2008	\$ 4,544,373	\$ 4,576,669	\$ 4,576,669	\$ 32,296	\$ -

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

Leflore County School District  
 Budgetary Comparison Schedule for the Major Special Revenue Fund - Title I Fund  
 For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
	Revenues				
Local sources	\$ -	\$ 4,729	\$ 4,729	\$ 4,729	\$ -
Federal sources	\$ 1,779,550	\$ 1,972,579	\$ 1,972,579	\$ 193,029	\$ -
<b>Total Revenues</b>	<b>\$ 1,779,550</b>	<b>\$ 1,977,308</b>	<b>\$ 1,977,308</b>	<b>\$ 197,758</b>	<b>\$ -</b>
Expenditures					
Instruction	\$ 948,984	\$ 1,031,237	\$ 1,031,237	\$ (82,253)	\$ -
Support services	\$ 747,551	\$ 886,587	\$ 886,587	\$ (139,036)	\$ -
Noninstructional services	\$ 36,051	\$ 30,697	\$ 30,697	\$ 5,354	\$ -
<b>Total Expenditures</b>	<b>\$ 1,732,586</b>	<b>\$ 1,948,521</b>	<b>\$ 1,948,521</b>	<b>\$ (215,935)</b>	<b>\$ -</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 46,964	\$ 28,787	\$ 28,787	\$ (18,177)	\$ -
Other Financing Sources (Uses)					
Operating transfers out	\$ (28,277)	\$ (28,787)	\$ (28,787)	\$ (510)	\$ -
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (28,277)</b>	<b>\$ (28,787)</b>	<b>\$ (28,787)</b>	<b>\$ (510)</b>	<b>\$ -</b>
<b>Net Change in Fund Balances</b>	<b>\$ 18,687</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (18,687)</b>	<b>\$ -</b>
Fund Balances					
July 1, 2007	\$ -	\$ 973	\$ -	\$ 973	\$ (973)
June 30, 2008	\$ 18,687	\$ 973	\$ -	\$ (17,714)	\$ (973)

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

Leflore County School District  
 Budgetary Comparison Schedule for the Major Special Revenue Fund - 16th Section Interest 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				
Sixteenth section sources	\$ 648,815	\$ 862,512	\$ 652,126	\$ 213,697	\$ (210,386)
Total Revenues	<u>\$ 648,815</u>	<u>\$ 862,512</u>	<u>\$ 652,126</u>	<u>\$ 213,697</u>	<u>\$ (210,386)</u>
Expenditures					
Sixteenth section	\$ 50,000	\$ 23,775	\$ 23,775	\$ 26,225	\$ -
Total Expenditures	<u>\$ 50,000</u>	<u>\$ 23,775</u>	<u>\$ 23,775</u>	<u>\$ 26,225</u>	<u>\$ -</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 598,815</u>	<u>\$ 838,737</u>	<u>\$ 628,351</u>	<u>\$ 239,922</u>	<u>\$ (210,386)</u>
Other Financing Sources (Uses)					
Operating transfers out	\$ (550,000)	\$ -	\$ -	\$ 550,000	\$ -
Total Other Financing Sources (Uses)	<u>\$ (550,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 550,000</u>	<u>\$ -</u>
Net Change in Fund Balances	<u>\$ 48,815</u>	<u>\$ 838,737</u>	<u>\$ 628,351</u>	<u>\$ 789,922</u>	<u>\$ (210,386)</u>
Fund Balances					
July 1, 2007	<u>\$ 3,011,488</u>	<u>\$ 3,013,987</u>	<u>\$ 3,013,987</u>	<u>\$ 2,499</u>	<u>\$ -</u>
June 30, 2008	<u>\$ 3,060,303</u>	<u>\$ 3,852,724</u>	<u>\$ 3,642,338</u>	<u>\$ 792,421</u>	<u>\$ (210,386)</u>

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

Leflore County School District  
Notes to the Required Supplemental Information  
For the Year Ended June 30, 2008

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before October 15 following the end of the fiscal year. A budgetary comparison is presented for the general fund and each major special revenue fund on the same basis of accounting as the budget which is consistent with accounting principles generally accepted in the United States.

SUPPLEMENTARY INFORMATION

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Leflore 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	\$ 560,760
National school lunch program	10.555	\$ 1,304,805
Summer food service program for children	10.559	\$ 51,713
Total child nutrition cluster		\$ 1,917,278
Total U.S. Department of Agriculture		\$ 1,917,278
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The school and libraries program of the universal service fund	32.XXX	\$ 342,283
Total Federal Communications Commission		\$ 342,283
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	\$ 1,995,878
Career and technical education - basic grants to states	84.048	\$ 60,211
Safe and drug-free schools and communities - state grants	84.186	\$ 26,558
Education for homeless children and youth	84.196	\$ 29,897
Even start – state educational agencies	84.213	\$ 95,755
Twenty first century community learning centers	84.287	\$ 127,387
State grants for innovative programs	84.298	\$ 5,050
Education technology – state grants	84.318	\$ 35,881
Rural education	84.358	\$ 77,271
Improving teacher quality – state grants	84.367	\$ 329,480
Grants for state assessments and related activities	84.369	\$ 28,574
Total		\$ 2,811,942
Special education cluster:		
Special education - grants to states	84.027	\$ 860,917
Special education - preschool grants	84.173	\$ 35,740
Total		\$ 896,657
Total passed-through Mississippi Department of Education		\$ 3,708,599
Passed-through the Mississippi Institution of Higher Learning		
Gaining early awareness & readiness for undergraduate programs (gear-up)	84.334	\$ 16,921
Total passed-through the Mississippi Institution of Higher Learning		\$ 16,921
Total U.S. Department of Education		\$ 3,725,520
<u>U.S. Department of Health and Human Services</u>		
Passed-through Mississippi Department of Health and Human Services:		
Community-based abstinence education (CBAE)	93.010	\$ 34,080
Abstinence education	93.235	\$ 70,612

Leflore 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
Temporary assistance for needy families	93.558	\$ 117,249
Total		\$ 221,941
Passed-through Mississippi Department of Education:		
Medical assistance program	93.778	\$ 44,870
Total U.S. Department of Health and Human Services		\$ 266,811
 Total for All Federal Awards		 \$ 6,251,892

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 basic financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.

Leflore County School District  
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
 For the Year Ended June 30, 2008

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administrative</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 18,697,265	\$ 13,991,737	\$ 672,129	\$ 1,380,833	\$ 2,652,566
Other	\$ 6,425,514	\$ 2,344,677	\$ 243,838	\$ 37,548	\$ 3,799,451
Total	<u>\$ 25,122,779</u>	<u>\$ 16,336,414</u>	<u>\$ 915,967</u>	<u>\$ 1,418,381</u>	<u>\$ 6,452,017</u>
Total number of students	<u>2,848</u>				
Cost per student	<u>\$ 8,821</u>	<u>\$ 5,736</u>	<u>\$ 322</u>	<u>\$ 498</u>	<u>\$ 2,265</u>

Notes to the schedule.

Instruction and Other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type.

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

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

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

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

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OTHER SUPPLEMENTAL INFORMATION

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Leflore County School District  
Statement of Revenues, Expenditures and Changes in Fund Balances  
General Fund  
Last Four Years

UNAUDITED

	2008	2007*	2006*	2005*
<b>Revenues</b>				
Local sources	\$ 3,401,488	\$ 3,245,505	\$ 3,121,679	\$ 3,118,264
State sources	\$ 13,704,639	\$ 13,618,010	\$ 12,954,319	\$ 11,980,100
Federal sources	\$ 387,153	\$ 214,332	\$ 38,148	\$ 59,874
<b>Total Revenues</b>	<u>\$ 17,493,280</u>	<u>\$ 17,077,847</u>	<u>\$ 16,114,146</u>	<u>\$ 15,158,238</u>
<b>Expenditures</b>				
Instruction	\$ 10,674,783	\$ 10,332,789	\$ 10,011,173	\$ 9,113,429
Support services	\$ 6,683,864	\$ 5,890,540	\$ 5,502,282	\$ 5,049,683
Noninstructional services	\$ -	\$ -	\$ -	\$ 8,531
<b>Total Expenditures</b>	<u>\$ 17,358,647</u>	<u>\$ 16,223,329</u>	<u>\$ 15,513,455</u>	<u>\$ 14,171,643</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>\$ 134,633</u>	<u>\$ 854,518</u>	<u>\$ 600,691</u>	<u>\$ 986,595</u>
<b>Other Financing Sources (Uses)</b>				
Insurances loss recoveries	\$ -	\$ 3,696	\$ 49,585	\$ -
Operating transfers in	\$ 52,033	\$ 50,714	\$ 159,866	\$ 360,443
Operating transfers out	\$ (193,588)	\$ (324,366)	\$ (195,752)	\$ (511,200)
<b>Total Other Financing Sources (Uses)</b>	<u>\$ (141,555)</u>	<u>\$ (269,956)</u>	<u>\$ 13,699</u>	<u>\$ (150,757)</u>
<b>Net Change in Fund Balances</b>	<u>\$ (6,922)</u>	<u>\$ 584,562</u>	<u>\$ 614,390</u>	<u>\$ 835,838</u>
<b>Fund Balances</b>				
July 1	\$ 4,583,591	\$ 3,999,029	\$ 3,384,639	\$ 2,548,801
June 30	<u>\$ 4,576,669</u>	<u>\$ 4,583,591</u>	<u>\$ 3,999,029</u>	<u>\$ 3,384,639</u>

\* Source - Prior year audit reports.

Leflore County School District  
Statement of Revenues, Expenditures and Changes in Fund Balances  
All Governmental Funds  
Last Four Years

UNAUDITED

	2008	2007*	2006*	2005*
<b>Revenues</b>				
Local sources	\$ 3,815,948	\$ 3,663,302	\$ 3,561,269	\$ 3,566,012
State sources	\$ 15,128,721	\$ 14,409,972	\$ 13,807,402	\$ 12,805,961
Federal sources	\$ 6,034,205	\$ 5,429,803	\$ 6,119,331	\$ 5,715,098
Sixteenth section sources	\$ 675,101	\$ 693,007	\$ 689,291	\$ 570,322
<b>Total Revenues</b>	<u>\$ 25,653,975</u>	<u>\$ 24,196,084</u>	<u>\$ 24,177,293</u>	<u>\$ 22,657,393</u>
<b>Expenditures</b>				
Instruction	\$ 14,066,834	\$ 13,012,261	\$ 12,587,872	\$ 11,733,029
Support services	\$ 8,626,601	\$ 7,846,691	\$ 8,035,580	\$ 7,241,705
Noninstructional services	\$ 2,085,866	\$ 1,966,271	\$ 1,975,574	\$ 1,984,466
Sixteenth section	\$ 23,775	\$ 37,540	\$ 38,447	\$ 29,104
Debt service				
Principal (Note 5)	\$ 265,000	\$ 255,000	\$ 245,000	\$ 225,000
Interest	\$ 52,763	\$ 64,238	\$ 77,115	\$ 85,040
Other	\$ 1,940	\$ 2,185	\$ -	\$ 1,340
<b>Total Expenditures</b>	<u>\$ 25,122,779</u>	<u>\$ 23,184,186</u>	<u>\$ 22,959,588</u>	<u>\$ 21,299,684</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>\$ 531,196</u>	<u>\$ 1,011,898</u>	<u>\$ 1,217,705</u>	<u>\$ 1,357,709</u>
<b>Other Financing Sources (Uses)</b>				
Insurances loss recoveries	\$ -	\$ 3,696	\$ 49,585	\$ -
Operating transfers in (Note 3)	\$ 245,620	\$ 380,230	\$ 355,617	\$ 558,443
Operating transfers out (Note 3)	\$ (245,620)	\$ (380,230)	\$ (355,617)	\$ (558,443)
<b>Total Other Financing Sources (Uses)</b>	<u>\$ -</u>	<u>\$ 3,696</u>	<u>\$ 49,585</u>	<u>\$ -</u>
<b>Net Change in Fund Balances</b>	<u>\$ 531,196</u>	<u>\$ 1,015,594</u>	<u>\$ 1,267,290</u>	<u>\$ 1,357,709</u>
<b>Fund Balances</b>				
July 1	\$ 9,160,563	\$ 8,154,370	\$ 6,884,742	\$ 5,511,184
Increase (Decrease) in reserve for inventory	\$ 17,221	\$ (9,401)	\$ 2,338	\$ 15,849
June 30	<u>\$ 9,708,980</u>	<u>\$ 9,160,563</u>	<u>\$ 8,154,370</u>	<u>\$ 6,884,742</u>

\* Source - Prior year audit reports.

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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# CHARLES L. SHIVERS

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

Superintendent and School Board  
Leflore County School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Leflore County School District as of and for the year ended June 30, 2008, which collectively comprise the district's basic financial statements and have issued my report thereon dated September 4, 2009. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

My 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, I identified certain deficiencies in internal control over financial reporting that I 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 school district'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 school district's financial statements that is more than inconsequential will not be prevented or detected by the school district's internal control. I consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting. See Finding 2008-01, 2008-02 and 2008-03.

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.

My 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 internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe that none of the significant deficiencies described above is a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant

agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The school district's responses to the findings identified in my audit are described in the accompanying Auditee's Correction Action Plan. I did not audit the school district's responses and, accordingly, I express no opinion on them.

This report is intended solely for the information and use of the district's 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.



Ridgeland, MS  
September 4, 2009

# CHARLES L. SHIVERS

*Certified Public Accountant*

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

Superintendent and School Board  
Leflore County School District

### Compliance

I have audited the compliance of the Leflore 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 district's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the school district's management. My responsibility is to express an opinion on the school district's compliance based on my audit.

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

In my opinion, Leflore 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 Leflore County School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I 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 my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the school district's internal control over compliance.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the district's 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.



Ridgeland, MS  
September 4, 2009

REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

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# CHARLES L. SHIVERS

*Certified Public Accountant*

Post Office Box 2775  
Ridgeland, Mississippi 39158

Phone: 601.941.6649  
Email: clscpa@bellsouth.net

## REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board  
Leflore County School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Leflore County School District as of and for the year ended June 30, 2008, which collectively comprise Leflore County School District's basic financial statements and have issued my report thereon dated September 4, 2009. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the Auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds."

The results of my procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. However, providing an opinion on compliance with these requirements was not an objective of my audit and, accordingly, I do not express such an opinion. The district reported \$24,843 of classroom supply funds carried over from previous years.

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

The results of my procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding. However, providing an opinion on compliance with these requirements was not an objective of my audit and, accordingly, I do not express such an opinion.

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

The results of procedures performed to test compliance with certain other state laws and regulations as required by the state legal compliance audit program prescribed by the Office of the Mississippi State Auditor and my audit of the financial statements did not disclose any instances of noncompliance with other state laws and regulations.

This report is intended solely for the information and use of the school board and management, 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.



Ridgeland, MS  
September 4, 2009

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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Leflore County School District  
 Schedule of Findings and Questioned Costs  
 June 30, 2008

Section 1: Summary of Auditor's Results

**Financial Statements:**

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

**Federal Awards:**

- |     |   |               |
|-----|---|---------------|
| 4.  | Type of auditor's report issued on compliance for major federal programs:   | Unqualified   |
| 5.  | Internal control over major programs:   |               |
|     | a. Material weaknesses identified?  | No            |
|     | b. Significant deficiency identified that are not considered to be material weaknesses?   | None Reported |
| 6.  | Any audit finding(s) reported as required by section __.510(a) of Circular A-133?   | No            |
| 7.  | Federal program identified as major program:  |               |
|     | a. Child Nutrition Cluster  |               |
|     | CFDA #: 10.553  |               |
|     | CFDA #: 10.555  |               |
|     | CFDA #: 10.559  |               |
|     | b. Special Education Cluster  |               |
|     | CFDA #: 84.027  |               |
|     | CFDA #: 84.173  |               |
|     | c. The School and Libraries Program of the Universal Service Fund   |               |
|     | CFDA #: 32.XXX  |               |
| 8.  | The dollar threshold used to distinguish between type A and type B programs:  | \$300,000     |
| 9.  | Auditee qualified as a low-risk auditee?  | Yes           |
| 10. | Prior fiscal year audit findings and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | Yes           |

Section 2: Financial Statement Findings

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

Finding 2008-01.

CONDITION: There is a lack of segregation of duties over the receipting and disbursing of activities at the local schools. The incompatible functions performed by the same individual for receipts are the preparation of the deposit ticket and the entry of the receipt into the books of original entry. While the incompatible functions performed by the same individual for cash disbursements are the paying of an invoice and the signing of the check.

CRITERIA: Adequate segregation of duties to prevent the performance of incompatible functions is expected and desired for the safeguarding of assets and the proper statement of the financial records.

Leflore County School District  
Schedule of Findings and Questioned Costs  
June 30, 2008

**CAUSE OF CONDITION:** The cause of this condition is the lack of a properly designed internal control system by the client at the local schools.

**EFFECT OF CONDITION:** The lack of a properly designed internal control system provides opportunity for malfeasance and misstatement of the financial statements.

**RECOMMENDATION:** It is recommended that the client identify other individuals who could perform the functions involved in these processes to allow for adequate segregation of duties.

Finding 2008-02.

**CONDITION:** There is a lack of segregation of duties over the preparation, approval and entry of journal entries.

**CRITERIA:** A properly designed internal control system would provide for adequate segregation of duties over the journal entry process.

**CAUSE OF CONDITION:** The internal control system as designed and implemented by the client provides for the business manager to prepare, approve and enter journal entries in the G/L.

**EFFECT OF CONDITION:** An improperly designed internal control system could allow for errors or omissions of journal entries that could cause a misstatement of the financial statements.

**RECOMMENDATION:** It is recommended that the client design and implement a properly designed internal control system over the journal entry process to allow for the proper segregation of duties.

Finding 2008-03.

**CONDITION:** There is a lack of proper security over blank checks and a lack of control over the check signature plate.

**CRITERIA:** Adequate security over and the accounting of blank checks is necessary to ensure there is accountability and that blank checks are not misused. Proper control over the check signature plate is required to ensure only those checks being properly authorized and printed are signed.

**CAUSE OF CONDITION:** The boxes of blank accounts payable and payroll checks were stored next to the printer in open boxes and the check signature plate was secured and controlled by the payroll clerk.

**EFFECT OF CONDITION:** The lack of proper security over blank checks could result in one or more being misused thus causing a misstatement of the financial statements and the lack of proper control of the check signature plate could allow for improperly authorized checks to be printed.

**RECOMMENDATION:** It is recommended that the client design and implement a properly designed internal control system to adequately secure the blank checks and to provide for proper control of the check signing plate.

Section 3: Federal Award Findings and Questioned Costs

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

AUDITEE'S CORRECTIVE ACTION PLAN

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**LEFLORE COUNTY SCHOOL DISTRICT**

**1901 HIGHWAY 82 WEST**

**GREENWOOD, MS 38930**

Tel. 662-453-9656

Fax 662-455-2703

**Financial & Compliance Audit Division**

September 4, 2009

As required by Section \_\_\_\_ .315(c) of OMB Circular A-133, the Leflore 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, 2007:

<b>Finding</b>	<b>Corrective Action Plan Details</b>
<b>2008-01</b>	<p>a. Contact person responsible for corrective action Mr. Doug Segars, Business Manager (662-453-9656)</p> <p>b. Corrective Action Planned: In order to comply with proper segregation of duties, the Leflore County School District will require that activity fund receipts be transported to the central office where they will be counted and deposited into the District Maintenance bank account. Funds will then be disbursed to the schools as requested. All disbursements will be supported by receipts and other appropriate documentation.</p> <p>c. Anticipated Completion Date: Immediately.</p>
<b>2008-02</b>	<p>a. Contact person responsible for corrective action Mr. Doug Segars, Business Manager (662-453-9656)</p> <p>b. Corrective Action Planned: An effort will be made to the best of our ability to crosstrain our staff to learn how to enter journal entries and whenever practical, comply with the desired segregation of duties. Because of the workload, total segregation is not feasible, and the District understands and will work with the risks involved.</p> <p>c. Anticipated Completion Date: Immediately.</p>
<b>2008-03</b>	<p>a. Contact person responsible for corrective action Mr. Doug Segars, Business Manager (662-453-9656)</p> <p>b. Corrective Action Planned: A lock has been installed on our storage room door and all blank checks will be kept under lock and key. The signature plate used to sign payroll and accounts payable checks will be kept by an employee who is not responsible for the processing of payroll or accounts payable and this employee will operate the check signing machine.</p> <p>c. Anticipated Completion Date: Immediately.</p>



Jean Hall, Superintendent - Leflore County Schools

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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**LEFLORE COUNTY SCHOOL DISTRICT**

**1901 HIGHWAY 82 WEST**

**GREENWOOD, MS 38930**

Tel. 662-453-9656

Fax 662-455-2703

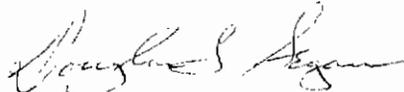
July 27, 2009

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

Fiscal Year Ended June 30, 2007  
Audit Report

<u>Finding</u>	<u>Status</u>
2007-1	The Leflore County School District has corrected the subject finding by recording E-Rate expenditures in their entirety with the related discount being recorded as revenue.
2007-2	The Leflore County School District has corrected the subject finding by requesting funds to cover only the expenditures as they occur so that no fund balances exist in excess of immediate needs. Title I fund balances reflect this correction.

Submitted by:



Douglas L. Segars, Business Manager

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